6c

Financial Report
Data Centre Services

Financial Statement Overview

For the year ended 30 June 2024

Financial Performance (Comprehensive Operating Statement)

Data Centre Services delivers core information and communications technology (ICT) infrastructure and support services to Northern Territory Government agencies.

The financial performance of Data Centre Services (DCS) is presented in two ways. Table 1 compares DCS' 2023-24 performance with the final approved budget for the year, and Table 2 compares performance between the current year and previous year. More details are provided in subsequent commentary and analysis in Tables 3 to 6. The impact of financing decisions and recognition of assets and liabilities are outlined in the financial position analysis at Table 7 and related commentary.

Table 1: 2023-24 Final Budget and Performance

	2023-24		
	Actual $000	Final Budget $000	Variation $000
Income	31 709	29 722	1 987
Expenses	(26 935)	(24 386)	(2 549)
Net Surplus before Tax	**4 774**	**5 336**	**(562)**
Income Tax Expense	(1 432)	(1 601)	169
Net Surplus after Tax	**3 342**	**3 735**	**(393)**
Comprehensive Result	**3 342**	**3 735**	**(393)**
Dividend (50%)	1 671	1 868	(197)

DCS' overall operating financial performance showed a net surplus after tax of $3.3 million compared with a final budgeted surplus of $3.7 million. The reduction when compared to the 2023-24 final budget is largely due to an increase in operational expenses driven by higher than expected licensing charges, partially offset by higher than anticipated revenue reflecting increased demand for services.

DCS will pay an income tax equivalent of $1.4 million and will return a dividend of $1.7 million to government for 2023-24.

Table 2: 2023-24 and 2022-23 Performance

	2023-24	2022-23	Variation
	$000	$000	$000
Income	31 709	31 072	637
Expenses	(26 935)	(25 830)	(1 105)
Net Surplus before Tax	**4 774**	**5 242**	**(468)**
Income Tax Expense	(1 432)	(1 573)	141
Net Surplus after Tax	**3 342**	**3 669**	**(327)**
Comprehensive Result	**3 342**	**3 669**	**(327)**

DCS produced an operating surplus of $3.3 million for 2023-24, which is $0.3 million lower than the previous year.

Income

DCS' primary income source results from the provision of computing services to Northern Territory Government agencies. These services are classified under the income categories of sales of goods and services, interest revenue and other income. As shown in Table 3 below, sales of goods and services represents 94.9 per cent of DCS' total income of $31.7 million, with the remaining 5.1 per cent comprising of interest and other income.

The decrease in sales of goods and services income predominantly reflects a one-off midyear price reduction in Enterprise Storage ($0.5 million) and mainframe services ($0.1 million). The increase in Interest Revenue reflects the current market rates and the increase in other income is largely due to a higher than expected one off recoveries of software licences purchased on behalf of other agencies.

Table 3: Income by Category

	Sales of Goods and Services		Interest Revenue		Other Income		Total	
Year	$000	%	$000	%	$000	%	$000	%
2023-24	30 103	94.9	559	1.8	1 047	3.3	31 709	100
2022-23	30 492	98.1	286	0.9	294	1.0	31 072	100

Total income is also classified across DCS' major business functions:

- Mainframe Services – hosting and managing mainframe applications
- Midrange Services – hosting and managing midrange server applications
- Enterprise Storage – managing enterprise data storage and performing data backups
- Data Centre Facility Services – hosting ICT infrastructure for agencies and contracted service providers.

Table 4: Income by Business Function

	Mainframe Services		Midrange Services		Enterprise Storage and Backup Services		Data Centre Facility Services		Total	
Year	$000	%	$000	%	$000	%	$000	%	$000	%
2023-24	12 340	38.9	14 718	46.4	1 511	4.8	3 140	9.9	31 709	100
2022-23	12 469	40.1	13 928	44.8	2 069	6.7	2 606	8.4	31 072	100

Midrange services and data centre facility services increased due to demand driven growth, while mainframe services and enterprise storage services income decreased due to reduced pricing of services.

Expenses

DCS incurred the majority of its expenditure for ICT related expenses for hardware, software and specialist contractors, with employee expenses being the second largest expense.

Table 5: Expenses by Category

Year	ICT		Employee		Operational		Depreciation		Property		Total	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
2023-24	14 064	52.2	6 656	24.7	1 438	5.3	3 883	14.4	894	3.3	26 935	100
2022-23	12 752	49.4	6 729	26.0	1 442	5.6	4 004	15.5	903	3.5	25 830	100

Below are explanations on major variations:

- ICT expenditure - increase primarily due to hardware and software licensing charges and higher contractor costs
- Depreciation - decrease relates to number of assets in Enterprise Storage that has been fully depreciated in 2023-24
- Property management expenditure decreased due to lower general property management costs.

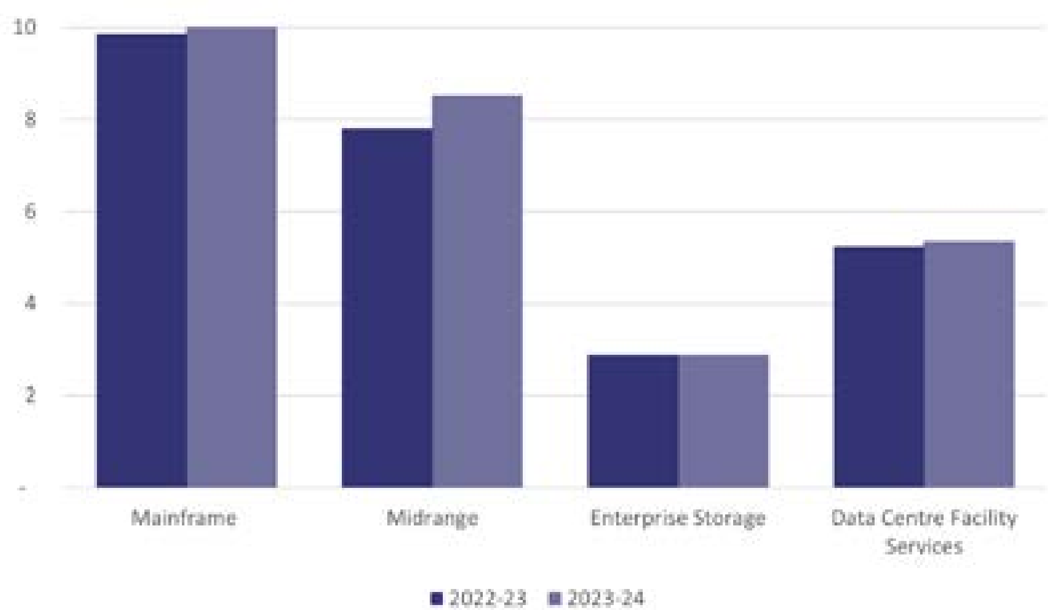
Expenses have also been classified according to DCS' major business functions below.

Table 6: Expenses by Business Function

Year	Mainframe Services		Midrange Services		Enterprise Storage and Backup Services		Data Centre Facility Services		Total	
	$000	%	$000	%	$000	%	$000	%	$000	%
2023-24	10 147	37.7	8 534	31.7	2 901	10.8	5 353	19.8	26 935	100
2022-23	9 863	38.2	7 819	30.3	2 901	11.2	5 247	20.3	25 830	100

Mainframe, Midrange and Data Facility Centre Services expenditure all increased in line with demand driven growth.

Figure 1: Expenses ($million) by Business Function



Balance Sheet

The Statement of Financial Position details the balances of the assets, liabilities, and equity of DCS at the end of the financial year. The table below compares DCS' financial position as at 30 June 2024 with the position at 30 June 2023

Table 7: 2023-24 and 2022-23 Financial Position

	2023-24	2022-23	Variation
	$000	$000	$000
ASSETS			
Current Assets	25 281	23 551	1 730
Non-Current Assets	21 543	23 424	(1 881)
TOTAL ASSETS	**46 824**	**46 975**	**(151)**
LIABILITIES			
Current Liabilities	(6 615)	(7 329)	714
Non-Current Liabilities	(9 118)	(9 896)	778
TOTAL LIABILITIES	**(15 733)**	**(17 225)**	**1 492**
NET ASSETS	**31 091**	**29 750**	**1 341**
Equity	31 091	29 750	1 341
TOTAL EQUITY	**31 091**	**29 750**	**1 341**

DCS' net financial position at the end of 2023-24 was $31.1 million, compared to the previous year's position of $29.8 million, an increase of $1.3 million.

Net assets increased by $1.3 million primarily as a result of the net surplus before tax of $4.8 million, offset by provision for tax ($1.4 million) and dividends ($1.7 million).

Major assets at 30 June 2024 included:

Current Assets

- $16.1 million cash and deposits
- $6.8 million prepayments (software licensing and maintenance)
- $2.4 million receivables (outstanding service fees)

Non-Current Assets

- $20.2 million property, plant and equipment (including buildings and leasehold improvements)
- $1.4 million prepayments (software licensing and maintenance)

Major liabilities at 30 June 2024 included:

Current Liabilities

- $0.7 million payables and accrued expenses
- $1.4 million provision for income tax
- $1.7 million provision for dividends
- $1.2 million provision for employee entitlements
- $1.5 million in lease liabilities
- $0.2 million in other liabilities

Non-Current Liabilities

- $9.1 million in non-current lease liabilities

Certification of the Financial Statements

We certify that the attached Financial Statements for Data Centre Services have been prepared based on proper accounts and records in accordance with Australian Accounting Standards and with the requirements as prescribed in the *Financial Management Act 1995* and Treasurer's Directions.

We further state that the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes to and forming part of the Financial Statements, presents fairly the financial performance and cash flows for the year ended 30 June 2024 and the financial position on that date.

At the time of signing, we are not aware of any circumstances that would render the particulars included in the Financial Statements misleading or inaccurate.

Catherine Weber
Chief Executive
19 September 2024

Rex Schoolmeester
Chief Financial Officer
19 September 2024

Auditor-General

Independent Auditor's Report to the Minister for Corporate and Digital Development

Data Centre Services

Page 1 of 2

Opinion

I have audited the accompanying financial report of Data Centre Services, which comprises the balance sheet as at 30 June 2024 and the comprehensive operating statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, and the certification of the financial statements by the Chief Executive.

In my opinion, the financial report gives a true and fair view, in all material respects, of the financial position of Data Centre Services as at 30 June 2024, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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 Data Centre Services in accordance with 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 believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The Chief Executive of the Department of Corporate and Digital Development is responsible for the other information. The other information comprises the information included in Data Centre Services' financial statement overview for the year ended 30 June 2024, 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 accordingly I do not express any form of assurance conclusion thereon.

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

If, based on the work I have performed, 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 Chief Executive for the Financial Report

The Chief Executive is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the Chief Executive determines 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, management is responsible for assessing the ability of Data Centre Services to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Data Centre Services or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Data Centre Services.

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

Auditor-General

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 internal control of Data Centre Services.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's 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 ability of Data Centre Services 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 Data Centre Services 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.

Jara K Dean
Auditor-General for the Northern Territory

Darwin, Northern Territory

20 September 2024

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

Comprehensive Operating Statement

For the year ended 30 June 2024

	Note	2024 $000	2023 $000
INCOME			
Sales of goods and services	3	30 103	30 492
Interest revenue		559	286
Other income	4	1 047	294
TOTAL INCOME		**31 709**	**31 072**
EXPENSES			
Employee expenses	5	6 656	6 729
Administrative expenses			
Purchases of goods and services	6	15 298	13 982
Property management	6	894	903
Depreciation and amortisation	15,16,17	3 842	4 005
Impairment losses		42	-
Interest expenses	7	203	211
TOTAL EXPENSES		**26 935**	**25 830**
NET SURPLUS/(DEFICIT)		**4 774**	**5 242**
SURPLUS BEFORE INCOME TAX		**4 774**	**5 242**
Income tax expense	9	1 432	1 573
NET SURPLUS		**3 342**	**3 669**
COMPREHENSIVE RESULT		**3 342**	**3 669**

The Comprehensive Operating Statement is to be read in conjunction with the notes to the Financial Statements.

Balance Sheet

As at 30 June 2024

	Note	2024 $000	2023 $000
ASSETS			
Current Assets			
Cash and deposits	10	16 087	10 450
Receivables	12	9 194	13 101
Total Current Assets		**25 281**	**23 551**
Non-Current Assets			
Receivables	12	1 366	1 645
Property, plant and equipment	15,16	20 177	21 779
Intangibles	1	-	-
Total Non-Current Assets		21 543	23 424
TOTAL ASSETS		46 824	46 975
LIABILITIES			
Current Liabilities			
Payables	18	663	640
Income tax liabilities	20	1 432	1 573
Provisions	21	2 824	3 049
Lease liabilities	19	1 541	1 372
Other liabilities	22	155	696
Total Current Liabilities		**6 615**	**7 329**
Non-Current Liabilities			
Lease liabilities	19	9 118	9 741
Other liabilities	22	-	155
Total non-current liabilities		**9 118**	**9 896**
TOTAL LIABILITIES		**15 733**	**17 226**
NET ASSETS		**31 091**	**29 749**
EQUITY			
Capital	24	4 232	4 563
Accumulated funds	24	**26 859**	**25 187**
TOTAL EQUITY		**31 091**	**29 750**

The Balance Sheet is to be read in conjunction with the notes to the Financial Statements.

Statement of Changes in Equity

For the year ended 30 June 2024

2024	Note	Equity at 1 July $000	Comprehensive result $000	Transactions with owners in their capacity as owners $000	Equity at 30 June $000
Accumulated funds	24	25 188	*3 342*	-	*28 530*
Dividends payable	21,24	-	-	(1 671)	(1 671)
Transfers from Reserves		-	-	-	-
		25 188	3 342	(1 671)	26 859
Capital – Transactions with Owners					
Equity injections	24	4 563	-	-	4 563
Equity transfers in	24	-	-	-	-
Other equity injections		-	-	-	-
Equity withdrawals					
Capital withdrawal	24	-	-	(330)	(330)
Equity transfers out	24	-	-	-	-
		4 563	-	(330)	4 233
TOTAL EQUITY AT END OF FINANCIAL YEAR		29 750	3 342	(2 001)	31 091

2023	Note	Equity at 1 July $000	Comprehensive result $000	Transactions with owners in their capacity as owners $000	Equity at 30 June $000
Accumulated funds	24	23 353	3 669	-	27 022
Dividends payable	24	-	-	(1 835)	(1 835)
		23 353	3 669	(1 835)	25 187
Capital – Transactions with Owners		4 563	-	-	4 563
Equity injections					
Capital Appropriation	24	-	-	-	-
Equity transfers in	24	-	-	-	-
Other equity injections	24	-	-	-	-
Equity withdrawals					
Equity transfers out	24	-	-	-	-
		4 563	-	-	4 563
TOTAL EQUITY AT END OF FINANCIAL YEAR		27 916	3 669	(1 835)	29 750

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements.

Cash Flow Statement

For the year ended 30 June 2024

	Note	2024 $000	2023 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating receipts			
Receipts from sales of goods and services		30 879	30 485
GST receipts		1 986	1 627
Interest received		537	257
Total operating receipts		**33 402**	**32 369**
Operating payments			
Payments to employees		(6 717)	(6 684)
Payments for goods and services		(12 772)	(15 365)
GST payments		(1 601)	(1 975)
Income tax paid		(1 573)	(1 063)
Interest paid		(203)	(211)
Total operating payments		**(22 866)**	**(25 298)**
Net cash from/(used in) operating activities	11a	**10 536**	**7 071**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investing receipts			
Investing Payments			
Purchases of assets		(1 222)	(2 891)
Total Investing Payments		**(1 222)**	**(2 891)**
Net Cash From/(Used in) Investing Activities		**(1 222)**	**(2 891)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Financing receipts			
Other Equity injections		(331)	-
Total financing receipts		**(331)**	**-**
Financing payments			
Dividends paid	11b	(1 835)	(1 241)
Finance lease payments	11b	(1 511)	(1 322)
Total financing payments		(3 346)	(2 563)
Net cash from/(used in) financing activities	11b	(3 677)	(2 563)
Net increase/(decrease) in cash held		5 637	1 617
Cash at beginning of financial year		10 450	8 833
CASH AT END OF FINANCIAL YEAR	10	**16 087**	**10 450**

The Cash Flow Statement is to be read in conjunction with the notes to the Financial Statements.

Index of notes to the Financial Statements

1. Objects and funding

Data Centre Services (DCS) delivers a range of ICT services to all Northern Territory Government agencies and ensures that critical business systems operate in an environment that is flexible, reliable and secure with high levels of access and availability.

DCS is funded through income generated by services provided to Northern Territory Government agencies. The Financial Statements encompass all funds and resources which DCS controls to undertake its functions.

2. Statement of material accounting policies

a) Statement of Compliance

The Financial Statements have been prepared in accordance with the requirements of the *Financial Management Act 1995* and related Treasurer's Directions. The *Financial Management Act 1995* requires Data Centre Services to prepare Financial Statements for each year ended 30 June based on the form determined by the Treasurer. The form of DCS' Financial Statements should include:

1. Certification of the Financial Statements
2. Comprehensive Operating Statement
3. Balance Sheet
4. Statement of Changes in Equity
5. Cash Flow Statement
6. Applicable explanatory notes to the Financial Statements.

b) Basis of Accounting

The Financial Statements have been prepared using the accrual basis of accounting, which recognises the effect of financial transactions and events when they occur, rather than when cash is paid out or received. As part of the preparation of the Financial Statements, all intra agency transactions and balances have been eliminated.

Except where stated, the Financial Statements have been prepared in accordance with the historical cost convention.

The form of DCS' Financial Statements is consistent with the requirements of Australian Accounting Standards. The effects of all relevant new and revised standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period have been evaluated.

Standards and interpretations effective from 2023-24 financial year

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates has been applied for the first time from 2023-24.

The amendments in AASB 2021-2 require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments have not resulted in any changes to the accounting policies themselves, they have impacted accounting policy information disclosed in the Financial Statements. Accordingly, accounting policies that are not considered 'material' have now been removed from the Financial Statements.

Several other amendments and interpretations have been issued that apply to the current reporting period but are considered to have no or minimal impact on public sector reporting.

Standards and interpretations issued but not yet effective

No Australian accounting standards have been adopted early for 2023-24 financial year. Several amendments interpretations have been issued that apply to future reporting periods but are considered to have no or minimal impact on public sector reporting.

c) Reporting Entity

The Financial Statements cover DCS as an individual reporting entity.

DCS is a Northern Territory Government Business Division (GBD) established under the *Interpretation Act 1978* and specified in the Administrative Arrangements Order.

The principal place of business of the GBD is: Level 3, Powerhouse, Smith Street Mall, Darwin NT 0800.

DCS has no controlled entities.

d) DCS and Territory items

The Financial Statements of DCS include income, expenses, assets, liabilities, and equity over which DCS has control (DCS items) and is able to utilise to further its own objectives. Certain items, while managed by agencies, are administered, and recorded by the Territory rather than the agency (Territory items). Territory items are recognised and recorded in the Central Holding Authority.

DCS held no Territory items.

e) Comparatives

Where necessary, comparative information for the 2022-23 financial year has been reclassified to provide consistency with current year disclosures.

f) Presentation and Rounding of Amounts

Amounts in the Financial Statements and notes to the Financial Statements are presented in Australian dollars and have been rounded to the nearest thousand dollars, with amounts of $500 or less being rounded down to zero. Figures in the Financial Statements and notes may not equate due to rounding.

g) Changes in Accounting Policies

There have been no changes to accounting policies adopted in 2023-24 financial year as a result of management decisions.

h) Accounting Judgments and Estimates

Judgments and estimates that have significant effects on the Financial Statements are disclosed in the relevant notes to the Financial Statements.

There were no material changes adopted during 2023-24.

i) Taxation

DCS is required to pay income tax on its accounting surplus at the company tax equivalent rate of 30 per cent in accordance with the requirements of the Treasurer's Directions on the Northern Territory Tax Equivalents Regime.

j) Contributions by and distributions to government

DCS may receive contributions from government where the government is acting as the owner of DCS. Conversely, DCS may make distributions to government. In accordance with the *Financial Management Act 1995* and Treasurer's Directions, certain types of contributions and distributions, including those relating to administrative restructures, have been designated as contributions by, and distributions to, government. These designated contributions and distributions are treated by DCS as adjustments to equity.

The Statement of Changes in Equity provides additional information in relation to contributions by, and distributions to, government.

k) Dividends

DCS has provided for a dividend payable at the rate of 50 per cent of net profit after tax in accordance with the Northern Territory Government's dividend policy.

3. Sales of goods and services

	2024			2023		
	$000	$000	$000	$000	$000	$000
	Revenue from contracts with customers	Other	Total	Revenue from contracts with customers	Other	Total
Sale of mainframe services	12 059	-	12 059	12 175	-	12 175
Sale of midrange services	13 953	-	13 953	13 928	-	13 928
Sale of enterprise storage and backup services	1 511	-	1 511	2 069	-	2 069
Sale of data centre facility services	2 580	-	2 580	2 320	-	2 320
Total sales of goods and services	30 103	-	30 103	30 492	-	30 492

Rendering of services

Revenue from rendering of services is recognised when DCS satisfies the performance obligation by transferring the promised information technology services. DCS typically satisfies its performance obligations at the end of the billing period when the services or capacity consumed by the customer can be quantified.

DCS services revenue includes:

Mainframe services – provision of a mainframe operating environment and hosting of mainframe applications billed to customers through a charging model based on utilisation share. Revenue is recognised as DCS satisfies its performance obligation when the monthly provision of the operating and hosting environment is complete, with payments typically due a month after.

Midrange services – provision of management services that build upon the base hosting or cloud offering. Services include operating system, database and technical support services. Data is collected on the quantity of services consumed on a monthly basis and applied to determine customer charges. DCS satisfies its performance obligation when the monthly provision of the management services is complete, with payments typically due a month after.

Enterprise storage and backup services – provision of enterprise scale storage and backup solutions to suit customers based on a pay for use basis. Enterprise Storage service is delivered by means of a storage area network (SAN) which is located in the Data Centre. Enterprise backup is a backup solution for customer business applications. The backup service is delivered by means of a fully managed enterprise class backup solution located in the Data Centre, with copies replicated to multiple sites for disaster recovery included in the charge. DCS satisfies its performance obligation when the monthly provision of the storage and backup services is complete, with payments typically due a month after.

Data centre facility services - The Government Data Centre (GDC) is the primary site which provides a continuous, secure and reliable facility hosting client and agency ICT equipment. Data Centre Services, as part of disaster recovery offerings, can also provide hosting options in a secondary site known as the Backup Data Centre (BDC). Data is collected on the quantity of services consumed on a monthly basis and applied to determine customer charges. DCS satisfies its performance obligation when the monthly provision of the data centre facility is complete, with payments typically due a month after.

Revenue from contracts with customers have been disaggregated below into categories to enable users of these Financial Statements to understand the nature, amount, timing and uncertainty of income and cash flows. These categories include a description of the type of product or service line, type of customer and timing of transfer of goods and services.

	2024	2023
	$000	$000
Type of good and service:		
Service delivery	30 103	30 492
Total revenue from contracts with customers by good or service	**30 103**	**30 492**
Type of customer:		
Northern Territory Government controlled entities	30 028	30 415
Non-government entities	75	77
Total revenue from contracts with customers by type of customer	**30 103**	**30 492**
Timing of transfer of goods and services:		
Over time	30 103	30 492
Total revenue from contracts with customers by timing of transfer	**30 103**	**30 492**

4. Other income

	2024			2023		
	$000	$000	$000	$000	$000	$000
	Revenue from contracts with customers	Other	Total	Revenue from contracts with customers	Other	Total
Other income	1 047	-	1 047	294	-	294
Total other income	**1 047**	**-**	**1 047**	**294**	**-**	**294**

Rental income

Rental income arising from operating leases incidental to the core functions of the department is accounted for on a straight-line basis over the lease term. DCS had no operating leases that resulted in rental income.

Miscellaneous revenue

Miscellaneous revenue for DCS includes reimbursements and project costs recoveries. Where funding is received for agreements that are enforceable and contain sufficiently specific performance obligations for the agency to transfer goods or services to the grantor or third-party beneficiary, the transaction is accounted for under AASB 15 as revenue from contracts with customers. Where this criteria is not met, revenue is generally accounted for under AASB 1058 and income is generally recognised upfront on receipt of funding.

DCS pays for goods and services on behalf of other agencies and these expense recoveries primarily includes management costs for projects.

DCS satisfies performance obligations when the goods or services have been completely delivered. Subsequently, DCDD recovers the expenditure from agencies through the issuance of invoices, with revenue recognised when payment is received.

Donated assets

Donated assets include assets received at below fair value or for nil consideration that can be measured reliably. These are recognised as revenue at their fair value when control over the assets is obtained, normally either on receipt of the assets or on notification the assets have been secured.

DCDD had no donated assets for the 2023-24 financial year.

Other income accounted for as revenue from contracts with customers have been disaggregated below into categories to enable users of these Financial Statements to understand the nature, amount, timing and uncertainty of income and cash flows. These categories include a description of the type of product or service line, type of customer and timing of transfer of goods and services.

	2024	2023
	$000	$000
Type of good and service:		
Service delivery	1 047	294
Total revenue from contracts with customers by good or service	**1 047**	**294**
Type of customer:		
Northern Territory Government controlled entities	1 047	294
Non-government entities	-	-
Total revenue from contracts with customers by type of customer	**1 047**	**294**
Timing of transfer of goods and services:		
Point in time	1 047	294
Total revenue from contracts with customers by timing of transfer	**1 047**	**294**

5. Employee benefits expense

	2024	2023
	$000	$000
Salaries and wages	5 690	5 760
Superannuation expenses	633	625
Workers compensation	-	-
Fringe benefits tax	6	13
Payroll tax	327	331
Total employee benefits expense	**6 656**	**6 729**

The number of full-time equivalent employees for 2023-24 was 47 (2022-23: 50).

Salaries and wages are recognised in the reporting period when the employee renders services to the Territory Government. It includes recreation leave, labour hire costs, allowances and other benefits, which are recognised in the reporting period when employees are entitled to the benefit or when incurred.

The recognition and measurement policy for employee benefits is detailed in Note18: Payables and Note 21: Provisions.

6. Purchases of goods and services

The net surplus/(deficit) has been arrived at after charging the following expenses:	2024 $000	2023 $000
Goods and services expenses:		
Consultants[1]	4 468	4 166
Legal expenses[2]	1	-
Training and study	11	-
Official duty fares	1	1
Information technology charges and communications	9 596	8 586
Property management expenses	894	903
Insurance premiums	100	104
Agency service arrangements	1 049	1 057
Audit fees	30	27
Other[3]	42	41
	16 192	**14 885**

[1]Includes marketing, promotion and IT consultants.
[2]Includes legal fees, claim and settlement costs.
[3]Includes other equipment and consumables

Purchases of goods and services generally represent the day-to-day running costs incurred in normal operations, including supplies and services costs recognised in the reporting period in which they are incurred.

7. Interest expense

	2024 $000	2023 $000
Interest from lease liabilities	203	211
Total	**203**	**211**

[1]Interest expense in 2024 and 2023 relate to lease liabilities in accordance with AASB 16.

Current grants expenses are intended to finance the current activities of the recipient for which no economic

8. Write-offs, postponements, waivers, gifts and ex gratia payments

The following table presents all write-offs, waivers, postponements, gifts and ex gratia payments approved under the *Financial Management Act 1995* or other legislation that the agency administers.

	Agency				
	2024	No. of trans.	2023	No. of trans.	
	$000		$000	$000	Note
Write-offs, postponements and waivers approved by delegates					
Losses or deficiencies of money written off	-	-	-	-	
Value of public property written off	41	1	-	-	1
Total write-offs, postponements and waivers approved by delegates	**41**	**1**	**-**	**-**	
Total write-offs, postponements and waivers	**41**	**1**	**-**	**-**	

Notes (write-off):

1. Relates to a write off of an obsolete asset.

Write-off

Write-offs reflect the removal from accounting records of the value of public money or public property owing to, or loss sustained by the Territory or agency. It refers to circumstances where the Territory or an agency has made all attempts to pursue the debt, however is deemed irrecoverable due to reasons beyond the Territory or an agency's control. Write-offs result in no cash outlay and are accounted for under 'Other administrative expenses' in the Comprehensive Operating Statement.

Waiver

Waivers reflect the election to forego a legal right to recover public money or receive public property. Once agreed with and communicated to the debtor, it will have the effect of extinguishing the debt and renouncing the right to any future claim on that public money or public property. Waivers result in no cash outlay and are accounted for under 'Current grants and subsidies expense' in the Comprehensive Operating Statement.

Postponement

A postponement is a deferral of a right to recover public money or receipt of public property from its due date. This has no effect on revenues or expenses recognised but may affect cash inflows or assets in use.

Gifts

A gift is an asset or property, deemed surplus to government's requirements, transferred to a suitable recipient, without receiving any consideration or compensation, and where there is no constructive or legal obligation for the transfer. Gifted property is accounted under 'Other administrative expenses' in the Comprehensive Operating Statement.

Ex gratia

Ex-gratia payments or act-of-grace payments are gratuitous payments where no legal obligation exists. All ex-gratia payments are approved by the Treasurer. Ex-gratia payments result in cash outlay and are accounted for under 'Purchases of goods and services' in the Comprehensive Operating Statement.

DCS has one write-off for the year ended 30 June2024, and no postponements, waivers, and gifts or ex gratia payments for the year ended 30 June 2024 and 30 June 2023.

9. Income tax expense

	2024 $000	2023 $000
Prima facie income tax expense calculated at 30% of the surplus before income tax	1 432	1 573
Total	**1 432**	**1 573**

10. Cash and deposits

	2024 $000	2023 $000
Cash on hand	16 087	10 450
Total	**16 087**	**10 450**

For the purposes of the Balance Sheet and the Cash Flow Statement, cash includes cash on hand, cash at bank and cash equivalents. Cash equivalents are highly liquid short-term investments that are readily convertible to cash.

11. Cash flow reconciliation

a) Reconciliation of cash

The total of DCS' 'Cash and deposits' of $16.1 million recorded in the Balance Sheet is consistent with that recorded as 'Cash' in the Cash Flow Statement.

Reconciliation of net surplus/deficit to net cash from operating activities

	2024 $000	2023 $000
Net surplus	3 342	3 669
Non-cash items:		
Depreciation and amortisation	3 842	4 004
Asset write-offs/write-downs	41	-
Changes in assets and liabilities:		
Decrease/(Increase) in receivables	4 078	(311)
(Decrease)/Increase in payables	22	1
(Decrease)/Increase in other payables	106	(66)
(Decrease)/Increase in provision for employee benefits	(71)	19
(Decrease)/Increase in other provisions	12	9
(Decrease)/Increase in income tax liability	(140)	510
(Decrease)/Increase in unearned income	(696)	(764)
Net cash from operating activities	**10 536**	**7 071**

b) Reconciliation of liabilities arising from financing activities

2024	Cash flows						Other		
	1 July	Dividends paid	Equity injection/ withdrawals	Lease liabilities repayments	Other	Total cash flows	Other	Total other	30 June
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Dividends	1 835	(1 835)	-	-	-	(1 835)	1 671	1 671	1 671
Lease liabilities	11 113	-	-	(1 511)	-	(1 511)	1 057	1 057	10 659
Equity injections/ withdrawals	4 563	-	(331)	-	-	(331)	-	-	4 233
Total	**17 511**	**(1 835)**	**(331)**	**(1 511)**	**-**	**(3 677)**	**2 728**	**2 728**	**16 563**

2023	Cash flows						Other		
	1 July	Dividends paid	Equity injection/ withdrawals	Lease liabilities repayments	Other	Total cash flows	Other	Total other	30 June
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Dividends	1 241	(1 241)	-	-	-	(1 241)	1 835	1 835	1 835
Lease liabilities	11 983	-	-	(1 322)	-	(1 322)	451	451	11 113
Equity injections/ withdrawals	4 563	-	-	-	-	-	-	-	4 563
Total	**17 787**	**(1 241)**	**-**	**(1 322)**	**-**	**(2 563)**	**2 287**	**2 287**	**17 511**

c) Non-cash financing and investing activities

Lease transactions

DCS recorded no additional right-of-use assets for the lease of buildings for the 2023-24 and 2022-23 financial years.

12 Receivables

	2024	2023
	$000	$000
Current		
Accounts receivable	60	335
Accrued contract revenue	2 390	2 538
Interest receivables	55	34
GST receivables	(106)	277
Prepayments	6 795	9 916
	9 194	13 101
Non-current		
Prepayments	1 366	1 645
Total Receivables	**10 560**	**14 746**

Receivables are initially recognised when DCS becomes a party to the contractual provisions of the instrument and are measured at fair value less any directly attributable transaction costs. Receivables include accounts receivable, contract receivable, accrued contract revenue, interest receivables, GST receivables, prepayments and other receivables.

Receivables are subsequently measured at amortised cost using the effective interest method, less any impairments.

Accounts receivable, contract receivables and other receivables are generally settled within 30 days.

The loss allowance reflects lifetime expected credit losses and represents the amount of receivables DCS estimates are likely to be uncollectible and are considered doubtful. DCS did not recognise any loss allowance in the 2023-24 and 2022-23 financial years.

Accrued contract revenue

Accrued contract revenue relates to the DCS' right to consideration in exchange for works completed but not invoiced at the reporting date. Once the DCS' rights to payment becomes unconditional, usually on issue of an invoice, accrued contract revenue balances are reclassified as contract receivables. Accrued revenue that does not arise from contracts with customers are reported as part of other receivables.

Prepayments

Prepayments represent payments made in advance of receipt of goods and services. Prepayments are recognised on an accrual basis and amortised over the period in which the economic benefits from these assets are received.

DCS' prepayments include software licenses and related software and hardware support services. Perpetual licenses are expensed in the year they are incurred if their expected life and future economic benefit from their usage cannot be reliably determined.

The decrease in net prepayments in 2023-24 is due to the timing of payment for software licenses.

Credit risk exposure of receivables

Receivables are monitored on an ongoing basis to ensure exposure to bad debts is not significant. DCS applies the simplified approach to measuring expected credit losses. This approach recognises a loss allowance based on lifetime expected credit losses for all accounts receivables, contracts receivable and accrued contract revenue. To measure expected credit losses, receivables have been grouped based on shared risk characteristics and days past due.

The expected loss rates are based on historical observed loss rates.

In accordance with the provisions of the FMA, receivables are written-off when based on demonstrated actions to collect, there is no reasonable expectation of recovery for reasons beyond the agency's control.

The loss allowance for receivables at reporting date represents the amount of receivables the agency estimates is likely to be uncollectible and is considered doubtful. Ageing analysis and reconciliation of loss allowance for receivables as at the reporting date are disclosed below.

Internal receivables reflect amounts owing from entities controlled by the Northern Territory Government such as other agencies, government business divisions and government owned corporations. External receivables reflect amounts owing from third parties which are external to the Northern Territory Government.

Ageing analysis

	2024				2023			
	Gross Receivables	Loss rate	Expected credit losses	Net receivables	Gross receivables	Loss rate	Expected credit losses	Net receivables
	$000	%	$000	$000	$000	%	$000	$000
Internal receivables								
Not overdue	59	-	-	60	327	-	-	327
Overdue for less than 30 days	-	-	-	-	-	-	-	-
Overdue for 30 to 60 days	-	-	-	-	1	-	-	1
Overdue for more than 60 days	-	-	-	-	-	-	-	-
Total internal receivables	59	-	-	60	328	-	-	328
External receivables								
Not overdue	1	-	-	1	7	-	-	7
Overdue for less than 30 days	-	-	-	-	-	-	-	-
Overdue for 30 to 60 days	-	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-	-
Total external receivables	1	-	-	1	7	-	-	7

Total amounts disclosed exclude statutory amounts and prepayments as these do not meet the definition of a financial instrument and therefore will not reconcile to the receivables note. It also excludes accrued contract revenue where no loss allowance has been provided.

Reconciliation of loss allowance for receivables

DCS recognised no loss allowance for receivables for 2023-24 and 2022-23 from the assessment of expected credit losses.

13. Advances and investments

DCS had no advances paid, equity accounted investments and investments in shares for the 2023-24 and 2022-23 financial years.

14. Other financial assets

The agency does not have any finance lease or sublease arrangements for 2023-24 and 2022-23.

15. Property, plant and equipment

Total property, plant and equipment

	2024 $000	2023 $000
Infrastructure		
At capitalised cost	27	27
Less: accumulated depreciation	(12)	(10)
	15	**17**
Plant and equipment		
At capitalised cost	10 963	13 012
Less: accumulated depreciation	(2 739)	(2 209)
	8 224	10 803
Computer hardware		
At capitalised cost	9 273	7 524
Less: accumulated depreciation	(7 731)	(7 430)
	1 542	**94**
Leased property, plant and equipment		
At capitalised cost	16 908	15 850
Less: accumulated amortisation	(6 512)	(4 985)
	10 396	**10 865**
Total property, plant and equipment	**20 177**	**21 779**

Reconciliation of carrying amount of property, plant and equipment

Property, plant and equipment includes right-of-use assets under AASB 16 Leases and service concession assets under AASB 1059. Further information on right-of-use assets are disclosed in Note 15. A reconciliation of the carrying amount of property, plant and equipment at the beginning and end year is set out below:

2024	Infrastructure	Plant and equipment	Computer hardware	Leased property, plant and equipment	Total
	$000	$000	$000	$000	$000
Carrying amount as at 1 July	17	10 803	94	10 865	21 779
Additions	-	73	3 249	-	3 322
Additions of right-of-use assets	-	-	-	-	-
Depreciation expense – asset owned	(2)	(551)	(1 760)	-	(2 313)
Amortisation expense – right-of-use asset	-	-	-	(1 528)	(1 528)
Additions/disposals from asset transfers	-	(2 101)	-	-	(2 101)
Revaluation Increments/Decrements	-	-	-	1 059	1 059
Impairment Losses	-	-	(41)	-	(41)
Carrying amount as at 30 June	**15**	**8 224**	**1 542**	**10 396**	**20 177**

2023	Infrastructure	Plant and equipment	Computer hardware	Leased property, plant and equipment	Total
	$000	$000	$000	$000	$000
Carrying amount as at 1 July	20	9 473	666	11 799	21 958
Additions	-	1 885	1 007	-	2 892
Additions of right-of-use assets	-	-	-	-	-
Depreciation expense – asset owned	(3)	(555)	(1 579)	-	(2 137)
Amortisation expense – right-of-use asset	-	-	-	(1 385)	(1 385)
Additions/disposals from asset transfers	-	-	-	-	-
Revaluation Increments/Decrements	-	-	-	451	451
Impairment Losses	-	-	-	-	-
Carrying amount as at 30 June	**17**	**10 803**	**94**	**10 865**	**21 779**

Acquisitions

Property, plant and equipment are initially recognised at cost.

Items of property, plant and equipment with a cost or other value, equal to or greater than $10 000 are recognised in the year of acquisition and depreciated as outlined below. Items of property, plant and equipment below the $10 000 threshold are expensed in the year of acquisition.

Complex assets

A physical non-financial asset capable of disaggregation into separate and identifiable significant components which have different useful lives. The components may be replaced during the useful life of the complex asset.

Construction (work in progress)

As part of the financial management framework, the Department of Infrastructure, Planning and Logistics (DIPL) is responsible for managing general government capital works projects on a whole of government basis. Therefore funds for DCS' capital works are provided directly to DIPL and the cost of construction work in progress is recognised as an asset of that department. Once completed, capital works assets are transferred to DCS.

Revaluations and Impairment

Plant and equipment are stated at historical cost less depreciation, which is deemed to equate to fair value.

For right-of-use assets, the net present value of the remaining lease payments is often an appropriate proxy for the fair value of relevant right-of-use assets at the time of initial recognition. Subsequently, right-of-use assets are stated at cost less amortisation, which is deemed to equate to fair value.

Right-of-use asset for leased buildings has been revalued in 2023-24 to reflect the impact of the increase to CPI.

There has been no impairment loss for DCS in 2023-24 and 2022-23.

Depreciation and Amortisation Expense

Items of property, plant and equipment, including buildings but excluding land, have limited useful lives and are depreciated or amortised using the straight-line method over their estimated useful lives.

The estimated useful lives for each class of asset are in accordance with the Treasurer's Directions and are determined as follows:

	2024	2023
Plant and equipment	2-18 years	2-18 years
Right-of-use assets[1]	Lease Term	Lease Term
Computer hardware	2-10 years	2-10 years

[1]Further information on right-of-use assets is disclosed in Note 16.

Assets are depreciated or amortised from the date of acquisition or from the time an asset is completed and held ready for use.

16. DCS as a lessee

DCS leases office accommodation, vehicles and data centre facilities. Lease contracts are typically made for fixed periods of 2 to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. DCS does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by DCS and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows have not been included in the lease liability because it is not reasonably certain the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and is within the control of the lessee. During the current financial year, there was no financial effect of revising lease terms to reflect the effect of exercising extension and termination options in recognised lease liabilities and right-of-use assets.

DCS has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less with no purchase option. DCS did not hold low value assets with a fair value of $10 000 or less when new and is not subject to a sublease arrangement.

Right-of-use asset

The following table presents right-of-use assets included in the carrying amounts of leased property, plant and equipment at Note 15.

	Leased buildings	Leased transport equipment	Total
2024	$000	$000	$000
Balance as at 1 July	10 849	16	10 865
Additions	-	-	-
Disposals	-	-	-
Amortisation expense	(1 519)	(9)	(1 528)
Other movements – Revaluation Increments/(Decrements)	1 058	-	1 058
Carrying amount as at 30 June	**10 388**	**7**	**10 395**

	Leased buildings	Leased transport equipment	Total
2023	$000	$000	$000
Balance as at 1 July	11 774	25	11 799
Additions	-	-	-
Disposals	-	-	-
Amortisation expense	(1 376)	(9)	(1 385)
Other movements – Revaluation Increments/(Decrements)	451	-	451
Carrying amount as at 30 June	**10 849**	**16**	**10 865**

The following amounts were recognised in the statement of comprehensive income for the year in respect of leases where DCS is the lessee:

	2024	2023
	$000	$000
Amortisation expense of right-of-use assets	(1 528)	(1 385)
Interest expense on lease liabilities	(203)	(211)
Total amount recognised in the comprehensive operating statement	**(1 731)**	**(1 596)**

Recognition and measurement

DCS assesses at contract inception whether a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and hence contains a lease.

DCS recognises lease liabilities representing an obligation to make lease payments and

right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

DCS recognises right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use).

Right-of-use assets are amortised on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	2024	2023
Building	2-18 years	2-18 years
Transport Equipment	2 to 4 years	2 to 4 years

17. Intangibles

a) Total intangibles

	2024	2023
	$000	$000
Intangibles with a finite useful life		
Computer software		
Gross carrying amount	900	2 759
Less: accumulated amortisation	(900)	(2 759)
Carrying amount at 30 June	-	-
Total intangibles	-	-

Intangible assets for DCS are comprised of computer software.

DCS recognises intangible assets only if it is probable that future economic benefits will flow to DCS and the costs of the asset can be measured reliably. Where an asset is acquired at nil or nominal cost, the cost is the fair value as at the date of acquisition.

Intangible assets arising from configuration and customisation costs for an application software in a Software-as-a-Service (SaaS) arrangement are only recognised where the services create a separately identifiable software code from which the agency has the power to both obtain the future economic benefits and restrict others' access to those benefits.

Intangible assets for DCS are stated at historical cost less amortisation, which is deemed to equate to fair value.

Intangibles with limited useful lives are amortised using the straight-line method over their estimated useful lives, which reflects the pattern of when expected economic benefits are likely to be realised.

The estimated useful lives for finite intangible assets are determined in accordance with the Treasurer's Directions and are determined as follows:

	2024	2023
Computer software	2 to 10 years	2 to 10 years

As the historical cost less amortisation is deemed to equate to fair value, no impairment was recognised for the year ended 30 June 2024.

b. Reconciliation of carrying amount of intangibles

	Computer software	Total
2024	$000	$000
Intangibles with a finite useful life		
Carrying amount at 1 July	-	-
Additions	-	-
Disposals	-	-
Amortisation	-	-
Other movements – Revaluation Increments/(Decrements)	-	-
Carrying amount as at 30 June	-	-

2023	Computer software $000	Total $000
Intangibles with a finite useful life		
Carrying amount at 1 July	483	483
Additions	-	-
Disposals	-	-
Amortisation	(483)	(483)
Other movements – Revaluation Increments/(Decrements)	-	-
Carrying amount as at 30 June	-	-

18. Payables

	2024 $000	2023 $000
Accounts payable	23	1
Accrued salaries and wages	123	121
Other accrued expenses	517	518
GST Payable	-	-
Total Payables	**663**	**640**

Liabilities for accounts payable and other amounts payable are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to DCS. Accounts payable are normally settled within 20 days from receipt of valid of invoices under $1 million or 30 days for invoices over $1 million.

Salaries and wages that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the amounts expected to be paid.

19. Lease liabilities

	2024 $000	2023 $000
Current		
Lease liabilities	1 541	1 372
Non-current		
Lease liabilities	9 118	9 741
Total lease liabilities	**10 659**	**11 113**

At the commencement date of the lease where the DCS is the lessee, DCS recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Variable lease payments which depend on an index or a rate are included in the lease liabilities, otherwise, are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the agency's leases, the Northern Territory Treasury Corporation's institutional bond rate is used as the incremental borrowing rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (such as changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The following table presents liabilities under leases.

	2024	2023
	$000	$000
Balance at 1 July	11 113	11 983
Additions/remeasurements	1 058	451
Interest expenses	203	211
Payments	(1 715)	(1 532)
Balance at 30 June	**10 659**	**11 113**

DCS had total cash outflows for leases of $1.7 million in 2023-24 ($1.5 million in 2022-23).

DCS had no future minimum lease payments under non-cancellable leases not recorded as liabilities for 2023-24 and 2022-23.

20. Income tax liabilities

	2024	2023
	$000	$000
Income tax liabilities	1 432	1 573
Total Income tax liabilities	1 432	1 573

21. Provisions

	2024	2023
	$000	$000
Current		
Employee benefits		
Recreation leave	848	928
Leave loading	87	76
Other employee benefits	8	11
Other current provisions		
Provision for dividends	1 671	1 835
Provision for fringe benefits tax	2	3
Provision for superannuation	149	134
Provision for payroll tax	59	62
Other provisions	-	-
Total provisions	**2 824**	**3 049**
Reconciliations of provision for dividends		
Balance as at 1 July	1 835	1 241
Additional provisions recognised	1 671	1 835
Reductions arising from payments	(1 835)	(1 241)
Balance as at 30 June	**1 671**	**1 835**

Employee benefits

Provision for employee benefits include wages and salaries and recreation leave accumulated as a result of employees rendering services up to the reporting date. Liabilities arising in respect of recreation leave and other employee benefit liabilities that fall due within 12 months of reporting date are classified as current liabilities and are measured at amounts expected to be paid. Non-current employee benefit liabilities that fall due after 12 months of the reporting date are measured at present value of estimated future cash flows, calculated using the appropriate government bond rate and taking into consideration expected future salary and wage levels, experience of employee departures and periods of service.

All recreation leave is classified as a current liability.

No provision is made for sick leave, which is non-vesting, as the anticipated pattern of future sick leave to be taken is less than the entitlement accruing in each reporting period.

Employee benefit expenses are recognised on a net basis in respect of the following categories:

- wages and salaries, non-monetary benefits, recreation leave and other leave entitlements
- other types of employee benefits.

As part of the financial management framework, the Central Holding Authority assumes the long service leave liabilities of government agencies, including DCS and therefore no long service leave liability is recognised within these Financial Statements.

Superannuation

Employees' superannuation entitlements are provided through the:

- Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS)
- Commonwealth Superannuation Scheme (CSS)
- or non-government employee nominated schemes for those employees commencing on or after 10 August 1999.

DCS makes superannuation contributions on behalf of its employees to the Central Holding Authority or non-government employee-nominated schemes. Superannuation liabilities related to government superannuation schemes are held by the Central Holding Authority and therefore not recognised in DCS Financial Statements.

22. Other liabilities

	2024	2023
	$000	$000
Current		
Unearned contract revenue	155	696
Non-Current		
Unearned contract revenue	-	155
Total other liabilities	155	851

Financial guarantee contracts

DCS had no financial guarantee contracts as at 30 June 2024 or 30 June 2023.

Unearned contract revenue

Unearned contract revenue relates to consideration received in advance from customers in respect of information technology services. Unearned contract revenue balances as at 30 June 2024 is $0.2 million (balance at 30 June 2023 was $0.9 million). Software licensing, support and maintenance are valid for the contracted period, performance obligations are satisfied on the expiration of the validity period.

Of the amount included in the unearned contract revenue balance as at 30 June 2023, $0.2 million has been recognised as revenue in 2023-24.

DCS anticipates to recognise as revenue, any liabilities for unsatisfied obligations as at the end of the reporting period in accordance with the time bands below:

	2024	2023
	$000	$000
Not later than one year	155	696
Later than one year and not later than five years	-	155
Total	**155**	**851**

23. Commitments

Commitments represent future obligations or cash outflows that can be reliably measured and arise out of a contractual arrangement and typically binds the agency to performance conditions. Commitments are not recognised as liabilities on the balance sheet.

Commitments may extend over multiple reporting periods and may result in payment of compensation or return of funds if obligations are breached.

Internal commitments reflect commitments with entities controlled by the Northern Territory Government such as other agencies, government business divisions and government owned corporations. External commitments reflect those to third parties which are external to the Northern Territory Government.

Disclosures in relation to other commitments are detailed below.

a) Capital expenditure commitments

DCS had no capital expenditure commitments in 2023-24 and 2022-23.

b) Other non-cancellable contract commitments[1]

Other non-cancellable contract commitments predominantly comprise of IBM licence contracts. These contracts are expected to be payable as follows:

	2024		2023	
	Internal	External	Internal	External
	$000	$000	$000	$000
Not later than one year	-	434	-	3 931
Later than one year and not later than five years	-		-	-
Later than five years	-		-	-
Total other non-cancellable contract commitments (exclusive of GST)	-	**434**	-	**3931**
Plus: GST recoverable	-	43	-	393
Total other non-cancellable contract commitments (inclusive of GST)	-	**477**	-	**4 324**

[1]Excludes capital and lease commitments, but includes maintenance contracts. Also excludes amounts recognised as unearned revenue in the agency's financial records.

24. Equity

Equity represents the residual interest in the net assets of DCS. The Northern Territory Government's ownership interest in DCS is held in the Central Holding Authority.

	2024	2023
	$000	$000
Capital		
Balance as at 1 July	4 563	4 563
Equity Injections		
Equity injections	-	-
Equity withdrawals	(331)	-
Balance as at 30 June	4 232	4 563
Accumulated Funds		
Balance as at 1 July	25 188	23 353
Surplus for the period	3 342	3 669
Dividends payable	(1 671)	(1 836)
Special dividend	-	-
Balance as at 30 June	26 859	25 186
Total Equity	31 091	29 749

25. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

DCS' property, plant and equipment, computer software and computer hardware are recognised at cost less depreciation or amortisation. The carrying amounts of these financial assets and liabilities approximates their fair value.

26. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The agency's financial instruments include cash and deposits, receivables, payables and lease liabilities. It excludes statutory receivables arising from taxes including tax receivables, GST input tax credits recoverable, and fines and penalties, which do not meet the definition of financial instruments as per AASB 132 Financial instruments: Presentation.

DCS has limited exposure to financial risks as discussed below.

Exposure to interest rate risk, foreign exchange risk, credit risk, price risk and liquidity risk arise in the normal course of activities.

a) Categories of financial instruments

The carrying amounts of DCS' financial assets and liabilities by category are disclosed in the table below.

	Fair value through profit or loss				
2024	Mandatorily at fair value	Designated at fair value	Amortised cost	Fair value through other comprehensive income	Total
	$000	$000	$000	$000	
Cash and deposits	-	-	16 087	-	16 087
Receivables[1]	-	-	115	-	115
Total financial assets	-	-	**16 202**	-	**16 202**
Payables[1]	-	-	23	-	23
Lease liabilities	-	-	10 659	-	10 659
Total financial liabilities	-	-	10 682	-	**10 682**

[1]Total amounts disclosed here exclude statutory amounts, prepaid expenses and accrued items.

	Fair value through profit or loss				
2023	Mandatorily at fair value	Designated at fair value	Amortised cost	Fair value through other comprehensive income	Total
	$000	$000	$000	$000	
Cash and deposits	-	-	10 450	-	10 450
Receivables1	-	-	369	-	369
Total financial assets	-	-	**10 819**	-	**10 819**
Payables[1]	-	-	1	-	1
Lease liabilities	-	-	11 113	-	11 113
Total financial liabilities	-	-	**11 114**	-	**11 114**

[1]Total amounts disclosed here exclude statutory amounts, prepaid expenses and accrued items.

Categories of financial instruments
Financial assets at amortised cost

Financial assets categorised at amortised cost are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

DCS' financial assets categorised at amortised cost include receivables and advances paid.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are measured at amortised cost using the effective interest rate method. DCS' financial liabilities categorised at amortised cost include all accounts payable, and lease liabilities.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation.

DCS has limited credit risk exposure (risk of default). In respect of any dealings with organisations external to government, DCS has adopted a policy of only dealing with credit worthy organisations and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represents DCS' maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Credit risk relating to receivables is disclosed in Note 12.

c) Liquidity Risk

Liquidity risk is the risk DCS will not be able to meet its financial obligations as they fall due. DCS' approach to managing liquidity is to ensure it will always have sufficient funds to meet its liabilities when they fall due. This is achieved by ensuring minimum levels of cash are held in DCS' bank account to meet various current employee and supplier liabilities. DCS' exposure to liquidity risk is minimal. Cash injections are available from the Central Holding Authority in the event of one-off extraordinary expenditure items arise that deplete cash to levels that compromise DCS' ability to meet its financial obligations.

The following tables detail DCS' remaining contractual maturity for its financial liabilities, calculated based on undiscounted cash flows at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Balance Sheet, which are based on discounted cash flows.

Maturity analysis for financial liabilities

2024	Carrying amount $000	Less than a year $000	1 to 5 years $000	More than 5 years $000	Total $000
Liabilities					
Payables[1]	23	23	-	-	23
Lease Liabilities	10 659	1 719	5 611	4 232	11 562
Total financial liabilities	**10 682**	**1 742**	**5 611**	**4 232**	**11 585**

2023	Carrying amount $000	Less than a year $000	1 to 5 years $000	More than 5 years $000	Total $000
Liabilities					
Payables[1]	1	1	-	-	1
Lease Liabilities	11 113	1 559	5 551	5 025	12 135
Total financial liabilities	**11 114**	**1 560**	**5 551**	**5 025**	**12 136**

[1]Total amounts disclosed exclude statutory amounts and accrued items.

d) Market risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises interest rate risk, price risk and currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

DCS has limited exposure to interest rate risk as DCS' financial assets and financial liabilities, with the exception of leases, are non interest bearing. Lease arrangements are established on a fixed interest rate and as such do not expose DCS to interest rate risk.

Sensitivity analysis

Changes in the variable rates of 100 basis points (1 per cent) at reporting date would have the following effect on DCS' profit or loss and equity.

	100 basis points $000
30 June 2024	
Financial assets – cash at bank	±161
Net sensitivity	**±161**
30 June 2023	
Financial assets – cash at bank	±105
Net sensitivity	±105

(ii) Price risk

DCS is not exposed to price risk as DCS does not hold units in unit trusts.

(iii) Currency risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

DCS has limited exposure to currency risk, as DCS does not hold borrowings denominated in foreign currencies and has limited transactional currency exposures arising from purchases in a foreign currency.

27. Related parties

(i) Related parties

DCS is a government administrative entity and is wholly owned and controlled by the Northern Territory Government. Related parties of DCS include:

- the portfolio minister and key management personnel (KMP) because they have authority and responsibility for planning, directing and controlling the activities of DCS directly;
- close family members of the portfolio minister or KMP including spouses, children and dependents;
- all public sector entities that are controlled and consolidated into the whole of government Financial Statements;
- any entities controlled or jointly controlled by KMPs or the portfolio minister, or controlled or jointly controlled by their close family members.

(ii) Key management personnel (KMP)

KMP of DCS are those persons having authority and responsibility for planning, directing and controlling the activities of DCS. These include:

- Selena Uibo, Minister for Corporate and Digital Development
- Chris Hosking, Chief Executive Officer of DCDD
- Greg Connors, Deputy Chief Executive Officer of DCDD
- Scott Thomson, Senior Director, Data Centre Services
- Rex Schoolmeester, Chief Financial Officer, DCDD.

(iii) Remuneration of key management personnel

The details below exclude the salaries and other benefits paid/payable to the Minister as the Minister's remuneration and allowances are payable by the Department of the Legislative Assembly and disclosed within the Treasurer's Annual Financial Statements.

The aggregate compensation of key management personnel of DCS is set out below:

	2024	2023
	$000	$000
Short-term benefits	235	229
Post-employment benefits	27	25
Total	**262**	**254**

DCDD provides management services to DCS and the amount relating to KMP has been included in the figures above.

(iv) Related party transactions

Transactions with Northern Territory Government controlled entities

DCS' primary ongoing source of funding is received from Northern Territory Government controlled entities.

The following table provides quantitative information about related party transactions entered into during the year with all other Northern Territory Government controlled entities.

2024	Revenue from related parties $000	Payments to related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
Related party				
NTG agencies	31 634	5 423	2 510	3 479

2023	Revenue from related parties $000	Payments to related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
Related party				
NTG agencies	30 995	5 060	2 883	3 785

DCS' transactions with other government entities are not individually significant.

Other related party transactions

Given the breadth and depth of Northern Territory Government activities, related parties will transact with the Northern Territory Public Sector in a manner consistent with other members of the public including paying stamp duty and other government fees and charges and therefore these transactions have not been disclosed. There were no other related party transactions to be reported.

DCS had no other related party transactions in excess of $10 000.

28. Contingent liabilities and contingent assets

DCS had no contingent liabilities or contingent assets as at 30 June 2024 or 30 June 2023.

29. Events subsequent to balance date

No events have arisen between the end of the financial year and the date of this report that require adjustment to, or disclosure in these Financial Statements

30. Budgetary information

The following tables present the variation between the 2023-24 original budgeted Financial Statements, as reported in 2023-24 Budget Paper No. 3 Agency Budget Statements, and the 2023-24 actual amounts reported in the Financial Statements, together with explanations for significant variations.

Comprehensive Operating Statement

	2024 Actual	2024 Original budget	Variance	
	$000	$000		Note
INCOME				
Sales of goods and services	30 103	29 035	1 068	1
Interest revenue	559	202	357	
Other income	1 047	-	1 047	2
TOTAL INCOME	**31 709**	**29 237**	**2 472**	
EXPENSES				
Employee expenses	6 656	6 796	140	
Administrative expenses				
Purchases of goods and services	16 192	12 976	(3 216)	3
Depreciation and amortisation	3 842	3 703	(139)	
Other administrative expenses	42	-	(42)	
Interest expenses	203	189	(14)	
TOTAL EXPENSES	**26 935**	**23 664**	**(3 270)**	
NET SURPLUS/(DEFICIT)	**4 774**	**5 573**	**(799)**	
Income Tax Expense	1 432	1 672	240	
NET SURPLUS	**3 342**	**3 901**	**559**	
COMPREHENSIVE RESULT	**3 342**	**3 901**	**559**	

Notes:

1. Largely reflects increased ICT charges resulting from the 2023-24 price list review and continued growth in mainframe and midrange services, and backup data centre.
2. Attributed to one-off recovery from work undertaken on behalf of agencies.
3. Increased demand for midrange services, enterprise storage and backup data centre.

Balance Sheet

	2024 Actual $000	2024 Original budget $000	Variance	Note
ASSETS				
Current assets				
Cash and deposits	16 087	15 227	860	1
Receivables	9 194	11 701	(2 507)	2
Total current assets	**25 281**	**26 928**	**(1 647)**	
Non-current assets				
Receivables	1 366	2 661	(1 295)	3
Property, plant and equipment	20 177	18 492	1 685	4
Other financial assets	-	220	(220)	
Total non-current assets	**21 543**	**21 373**	**170**	
TOTAL ASSETS	**46 824**	**48 301**	**(1 477)**	
LIABILITIES				
Current liabilities				
Payables	24	-	(24)	
Creditors and accruals	639	631	(8)	
Income Tax Liabilities	1 432	1 672	240	
Provisions	2 824	3 137	313	
Lease Liabilities	1 541	1 297	(244)	6
Other liabilities	155	765	610	5
Total current liabilities	**6 615**	**7 502**	**887**	
Non-current liabilities				
Lease Liabilities	9 118	8 133	(985)	6
Other liabilities	-	850	850	5
Total non-current liabilities	**9 118**	**8 983**	**(135)**	
TOTAL LIABILITIES	**15 733**	**16 485**	**752**	
NET ASSETS	**31 091**	**31 816**	**(725)**	
EQUITY				
Capital	4 563	4 563	-	
Equity injections/withdrawals	(331)	-	(331)	
Accumulated funds	26 859	27 253	(394)	
TOTAL EQUITY	**31 091**	**31 816**	**(725)**	

Notes:

1. Mainly due to renewal of IBM licenses that is not yet settled with the provider.
2. Attributed to the renewal of IBM licenses that is not yet settled with the provider.
3. Variance reflects reclassification of prepayments to current prepayments.
4. Acquisition of mainframe services hardware in the financial year.
5. Unearned revenue unwinding in 2023-24.
6. Increase in lease liabilities reflects movement in line with leased assets under AASB16.

Cash Flow Statement

CASH FLOWS FROM OPERATING ACTIVITIES	2024 Actual $000	2024 Original budget $000	Variance	Note
Operating receipts				
Receipts from sales of goods and services	30 879	29 035	1 844	1
GST receipts	1 986	-	1 986	2
Interest received	537	202	335	3
Total operating receipts	**33 402**	**29 237**	**4 165**	
Operating payments				
Payments to employees	(6 717)	(6 796)	79	
Payments for goods and services	(12 772)	(12 976)	205	
GST Payments	(1 601)	-	(1 601)	2
Income Tax paid	(1 573)	(1 672)	99	
Interest paid	(203)	(189)	(14)	
Total operating payments	**(22 866)**	**(21 633)**	**(1 232)**	
Net cash from/(used in) operating activities	**10 536**	**7 604**	**2 933**	
CASH FLOWS FROM INVESTING ACTIVITIES				
Investing payments				
Purchases of non-financial assets	(1 222)	(1 515)	293	
Total investing payments	**(1 222)**	**(1 515)**	**293**	
Net cash from/(used in) investing activities	**(1 222)**	**(1 515)**	**293**	
CASH FLOWS FROM FINANCING ACTIVITIES				
Financing payments				
Lease liabilities payments	(1 511)	(1 292)	(219)	
Equity withdrawals	(331)	-	(331)	4
Dividend Paid	(1 835)	(1 951)	116	
Total financing payments	**(3 677)**	**(3 243)**	**(434)**	
Net cash from/(used in) financing activities	**(3 677)**	**(3 243)**	**(434)**	
Net increase/(decrease) in cash held	5 637	2 846	2 792	
Cash at beginning of financial year	10 450	12 381	(1 931)	
CASH AT END OF FINANCIAL YEAR	16 087	15 227	860	

Notes:

1. Largely reflects increased ICT charges resulting from the 2023-24 price list review and continued growth in mainframe and midrange services, and backup data centre.
2. Unbudgeted GST receipts and payments.
3. Interest receipts on cash at bank balance.
4. Purchase of solar panels at the Milner Data Centre from DCDD.