6c Financial Statements
Data Centre Services

Financial Statement Overview

For the year ended 30 June 2023

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 2 ways. Table 1 compares DCS' 2022-23 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: 2022-23 Final Budget and Performance	2022-23		
	Actual $000	Final Budget $000	Variation $000
Income	31 072	29 894	1 178
Expenses	(25 830)	(24 321)	(1 509)
Net Surplus before Tax	**5 242**	**5 573**	**(331)**
Income Tax Expense	(1 573)	(1 672)	99
Net Surplus after Tax	**3 669**	**3 901**	**(232)**
Comprehensive Result	**3 669**	**3 901**	**(232)**
Dividend (50%)	1 835	1 951	(116)

DDCS' overall operating financial performance showed a net surplus after tax of $3.7 million compared with a final budgeted surplus of $3.9 million. The reduction when compared to the 2022-23 final budget is largely due to an increase in operational expenses largely 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 $1.6 million and will return a dividend of $1.8 million to government for 2022-23.

Table 2: 2022-23 and 2021-22 Performance	2022-23 $000	2021-22 $000	Variation $000
Income	31 072	31 324	(252)
Expenses	(25 830)	(27 780)	1 950
Net Surplus before Tax	**5 242**	**3 544**	**1 698**
Income Tax Expense	(1 573)	(1 063)	(510)
Net Surplus after Tax	**3 669**	**2 481**	**1 188**
Comprehensive Result	**3 669**	**2 481**	**1 188**

DCS produced an operating surplus of $3.7 million for 2022-23, which is $1.2 million higher than the previous year. This is predominantly the result of a year-on year reduction in information technology charges and communications expenditure.

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 98.1 per cent of DCS' total income of $31.1 million, with the remaining 1.9 per cent comprising interest and other income.

The increase in sales of goods and services income predominantly reflects growth in midrange services ($2.7 million) and mainframe services ($0.7 million), partially offset by enterprise storage services ($1.3 million). The reduction in other income is largely due to a reclassification relating to one off recoveries of software licences in 2021-22.

Table 3: Income by Category

	Sales of Goods and Services		Interest Revenue		Other Income		Total	
Year	$000	%	$000	%	$000	%	$000	%
2022-23	30 492	98.1	286	0.9	294	1.0	31 072	100
2021-22	28 183	90.0	12	-	3 129	10.0	31 324	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	%
2022-23	12 469	40.1	13 928	44.8	2 069	6.7	2 606	8.4	31 072	100
2021-22	11 732	37.5	13 432	42.9	4 008	12.8	2 152	6.8	31 324	100

Mainframe services, midrange services and data centre facility services increased due to demand driven growth, while enterprise storage services income decreased due to reduced pricing of services combined with one-off recoveries of software licences in 2021-22.

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

	ICT		Employee		Operational		Depreciation		Property		Total	
Year	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
2022-23	12 752	49.4	6 729	26.0	1 442	5.6	4 004	15.5	903	3.5	25 830	100
2021-22	13 961	50.2	6 993	25.2	1 506	5.4	4 524	16.3	796	2.9	27 780	100

ICT expenditure has decreased primarily due to lower hardware and software licensing charges, partially offset by higher contractor costs.

The decrease in employee expenses reflects the additional one-off lump sum bonus in 2021-22 in accordance with Enterprise Bargaining Agreement (EBA).

Decrease in depreciation relates to realignment of fixed assets relating to the Data Centre Transition Project in 2021-22.

The increase in property management expenditure is due to higher general property management costs in particular power and lease payments.

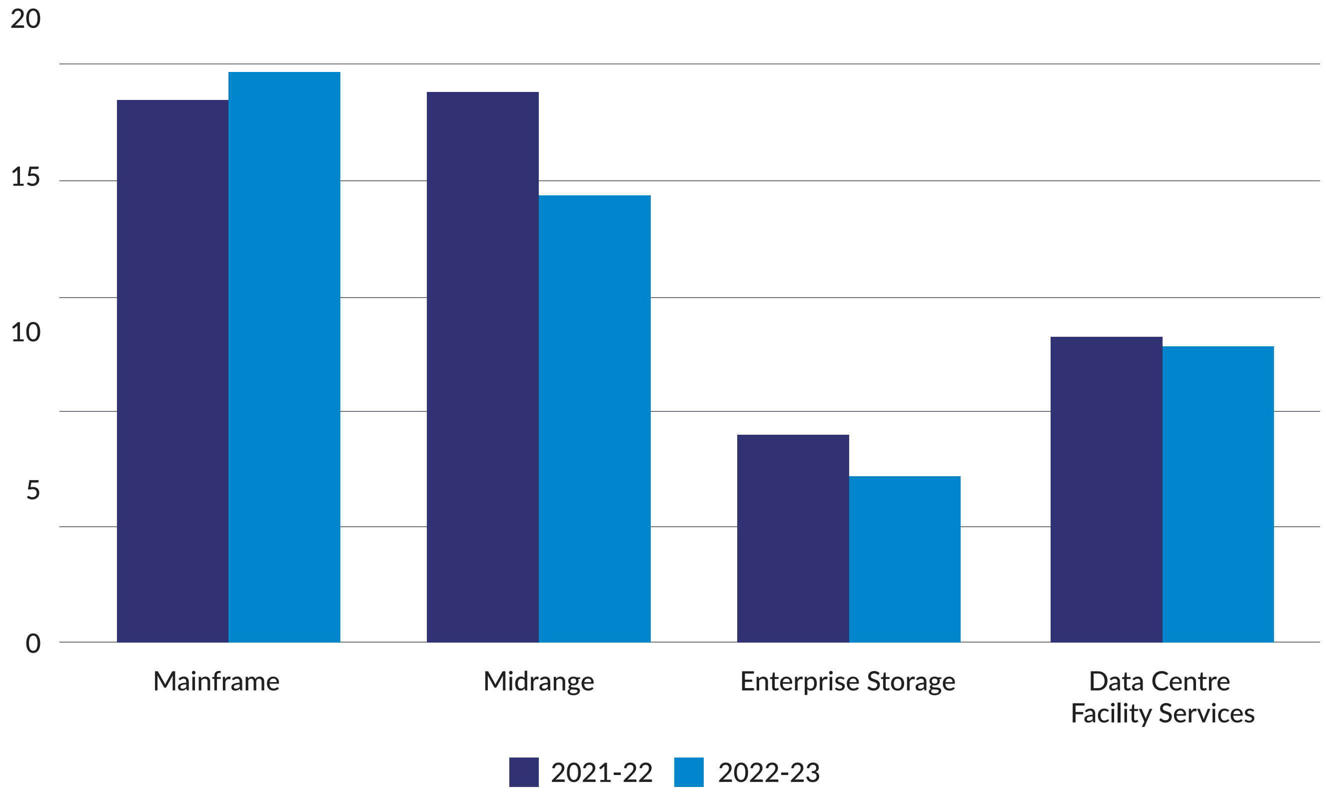
Expenses have also been classified according to DCS' major business functions below.

Table 6: Expenses by Business Function

	Mainframe Services		Midrange Services		Enterprise Storage and Backup Services		Data Centre Facility Services		Total	
Year	$000	%	$000	%	$000	%	$000	%	$000	%
2022-23	9 863	38.2	7 819	30.3	2 901	11.2	5 247	20.3	25 830	100
2021-22	9 376	33.8	9 531	34.3	3 566	12.8	5 307	19.1	27 780	100

Mainframe services expenditure increased in line with demand driven growth. However, midrange and enterprise storage services expenditure reduced due to lower year-on-year information technology and communication charges combined with lower asset depreciation.

Figure 1: Expenses ($million) by Business Function



FINANCIAL POSITION
(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 2023 with the position at 30 June 2022.

Table 7: 2022-23 and 2021-22 Financial Position

	2022-23 $000	2021-22 $000	Variation $000
ASSETS			
Current Assets	23 551	20 607	2 944
Non-current Assets	23 424	25 101	(1 677)
TOTAL ASSETS	**46 975**	**45 708**	**1 267**
LIABILITIES			
Current Liabilities	(7 329)	(6 255)	(1 074)
Non-current Liabilities	(9 896)	(11 537)	1 641
TOTAL LIABILITIES	**(17 225)**	**(17 792)**	**567**
NET ASSETS	**29 750**	**27 916**	**1 834**
Equity			
TOTAL EQUITY	**29 750**	**27 916**	**1 834**

DCS' net financial position at the end of 2022-23 was $29.8 million, compared to the previous year's position of $27.9 million, an increase of $1.8 million.

Net assets increased by $1.8 million primarily as a result of the net surplus before tax of $5.2 million, offset by provision for tax ($1.6 million) and dividends ($1.8 million).

Major assets at 30 June 2023 included:

Current Assets

- $10.5 million cash and deposits
- $9.9 million prepayments (software licensing and maintenance)
- $3.2 million receivables (outstanding service fees)

Non-current Assets

- $21.8 million property, plant and equipment (including buildings and leasehold improvements)
- $1.6 million prepayments (software licensing and maintenance).

Major liabilities at 30 June 2023 included:

Current Liabilities

- $0.6 million payables and accrued expenses
- $1.6 million income tax expense
- $1.8 million provision for dividends
- $1.2 million provision for employee entitlements
- $1.4 million in lease liabilities
- $0.7 million in other liabilities

Non-current Liabilities

- $9.7 million in non-current lease liabilities
- $0.2 million in other 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 2023 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.

Chris Hosking

Chief Executive

22 September 2023

Rex Schoolmeester

Chief Financial Officer

22 September 2023

Auditor-General

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

Data Centre Services

Opinion

I have audited the accompanying financial report of Data Centre Services, which comprises the balance sheet as at 30 June 2023, and the comprehensive operating 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, 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 2023, 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 2023, 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.

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

25 September 2023

COMPREHENSIVE OPERATING STATEMENT

For the year ended 30 June 2023

	Note	2023 $000	2022 $000
INCOME			
Sales of goods and services	3	30 492	28 183
Interest revenue		286	12
Other income	4	294	3 129
TOTAL INCOME		**31 072**	**31 324**
EXPENSES			
Employee expenses		6 729	6 993
Administrative expenses			
Purchases of goods and services	5	13 982	15 237
Property management	5	903	796
Depreciation and amortisation	14,15,16	4 004	4 524
Impairment losses		-	-
Interest expenses	6	211	230
TOTAL EXPENSES		**25 830**	**27 780**
NET SURPLUS/(DEFICIT)		**5 242**	**3 544**
SURPLUS BEFORE INCOME TAX		**5 242**	**3 544**
Income tax expense		1 573	1 063
NET SURPLUS		**3 669**	**2 481**
COMPREHENSIVE RESULT		**3 669**	**2 481**

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

BALANCE SHEET
As at 30 June 2023

	Note	2023 $000	2022 $000
ASSETS			
Current Assets			
Cash and deposits	9	10 450	8 833
Receivables	11	13 101	11 774
Total Current Assets		**23 551**	**20 607**
Non-current Assets			
Receivables	11	1 645	2 661
Property, plant and equipment	14,15	21 779	21 958
Intangibles	16	-	483
Total Non-current Assets		**23 424**	**25 101**
TOTAL ASSETS		**46 975**	**45 708**
LIABILITIES			
Current Liabilities			
Payables	17	640	705
Income tax liabilities	18	1 573	1 063
Provisions	20	3 049	2 426
Lease liabilities	19	1 372	1 296
Other liabilities	21	696	765
Total Current Liabilities		**7 329**	**6 255**
Non-current Liabilities			
Lease liabilities	19	9 741	10 687
Other liabilities	21	155	850
Total Non-current Liabilities		**9 896**	**11 537**
TOTAL LIABILITIES		**17 225**	**17 792**
NET ASSETS		**29 750**	**27 916**
EQUITY			
Capital	23	4 563	4 563
Accumulated funds	23	25 187	23 353
TOTAL EQUITY		**29 750**	**27 916**

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 2023

	Note	Equity at 1 July $000	Comprehensive result $000	Transactions with owners in their capacity as owners $000	Equity at 30 June $000
2022-23 Accumulated Funds					
Accumulated funds	23	**23 353**	**3 669**	**-**	**27 022**
Dividends payable	20,23	-	-	(1 835)	(1 835)
		23 353	**3 669**	**(1 835)**	**25 187**
Capital – Transactions with Owners		**4 563**	**-**	**-**	**4 563**
Equity injections	23	-	-	-	-
Equity transfers in	23	-	-	-	-
Other equity injections		-	-	-	-
Equity withdrawals		-	-	-	-
Equity transfers out	23	-	-	-	-
		4 563	**-**	**-**	**4 563**
Total Equity at End of Financial Year		**27 916**	**3 669**	**(1 835)**	**29 750**

	Note				
2021-22 Accumulated Funds					
Accumulated funds	23	**22 112**	**2 481**	**-**	**24 593**
Dividends payable	23	-	-	(1 241)	(1 241)
		22 112	**2 481**	**(1 241)**	**23 353**
Capital – Transactions with Owners		**4 563**	**-**	**-**	**4 563**
Equity injections					
Equity transfers in	23	-	-	-	-
Other equity injections	23	-	-	-	-
Equity withdrawals		-	-	-	-
Equity transfers out	23	-	-	-	-
		4 563	**-**	**-**	**4 563**
Total Equity at End of Financial Year		**26 675**	**2 481**	**(1 241)**	**27 916**

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 2023

	Note	2023 $000	2022 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Receipts			
Receipts from sales of goods and services		30 485	30 858
GST receipts		1 627	1 875
Interest received		257	8
Total Operating Receipts		**32 369**	**32 741**
Operating Payments			
Payments to employees		(6 684)	(6 865)
Payments for goods and services		(15 365)	(16 929)
GST payments		(1 975)	(1 980)
Income tax paid		(1 063)	(1 762)
Interest paid		(211)	(230)
Total Operating Payments		**(25 298)**	**(27 766)**
Net Cash From/(Used in) Operating Activities	10a	**7 071**	**4 975**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investing receipts			
Investing Payments			
Purchases of assets		(2 891)	(1 394)
Total Investing Payments		**(2 891)**	**(1 394)**
Net Cash From/(Used in) Investing Activities		**(2 891)**	**(1 394)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Financing Receipts			
Equity injections		-	-
Total Financing Receipts		**-**	**-**
Financing Payments			
Dividends paid	10b	(1 241)	(2 056)
Finance lease payments	10b	(1 322)	(1 272)
Total Financing Payments		**(2 563)**	**(3 328)**
Net Cash From/(Used in) Financing Activities	10b	**(2 563)**	**(3 328)**
Net increase/(decrease) in cash held		1 617	254
Cash at beginning of financial year		8 833	8 579
CASH AT END OF FINANCIAL YEAR	9	**10 450**	**8 833**

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 Objectives 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 significant 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 2022-23

Several amending standards and AASB interpretations have been issued that apply to the current reporting periods, but are considered to have no impact on public sector reporting.

Standards and interpretations issued but not yet effective

No new or changed Australian accounting standards have been early adopted for 2022-23.

On the date of authorisation of the financial statements, the following standard was issued but not yet effective.

AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial assets of Not-for-Profit Public Sector Entities

This standard amends the application of AASB 13 Fair Value Measurement to non-financial assets of not-for-profit public sector entities not held primarily to generate cash inflows. It applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

This revised standard provides clarification and further guidance on the current requirements for measuring non-financial assets including:

- when an asset's use is considered 'financially feasible'
- application of the cost approach in measurement of an asset's fair value
- costs to be included in the calculation of replacement cost
- indicators of economic obsolescence.

DCS is assessing this standard and will provide further information on the impact on the financial statements when first adopted for the year ending 30 June 2025.

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 Northern Territory rather than agencies (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 2021-22 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 2022-23 financial year as a result of management decisions.

h) Accounting judgments and estimates

The preparation of the financial report requires the making of judgments and estimates 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 for making judgments about the 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 estimate is 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.

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

i) Goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax, except where the amount of GST incurred on a purchase of goods and services is not recoverable from the Australian Tax Office (ATO). 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 ATO is included as part of receivables or payables 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 ATO are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable or payable unless otherwise specified. Gross GST recoverable on commitments is disclosed separately in the commitments note.

j) 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.

k) 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.

l) 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.

Income

Income encompasses both revenue and gains.

Income is recognised at the fair value of the consideration received, exclusive of the amount of GST. Exchanges of goods or services of the same nature and value without any cash consideration being exchanged are not recognised as income.

DCS revenue for the 2022-23 financial year has 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.

DCS delivers a range of ICT services to all Northern Territory Government agencies.

3 Sales of goods and services

	2023			2022		
	Revenue from contracts with customers $000	Other $000	Total $000	Revenue from contracts with customers $000	Other $000	Total $000
Sale of mainframe services	12 175	-	12 175	11 471	-	11 471
Sale of midrange services	13 928	-	13 928	11 187	-	11 187
Sale of enterprise storage and backup services	2 069	-	2 069	3 385	-	3 385
Sale of data centre facility services	2 320	-	2 320	2 140	-	2 140
Total sales of goods and services	**30 492**	**-**	**30 492**	**28 183**	**-**	**28 183**

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.

	2023 $000	2022 $000
Type of good and service:		
Service delivery	30 492	28 183
Total revenue from contracts with customers by good or service	**30 492**	**28 183**
Type of customer:		
Northern Territory Government controlled entities	30 415	28 063
Non-government entities	77	120
Total revenue from contracts with customers by type of customer	**30 492**	**28 183**
Timing of transfer of goods and services:		
Over time	30 492	28 183
Total revenue from contracts with customers by timing of transfer	**30 492**	**28 183**

4 Other income

	2023			2022		
	Revenue from contracts with customers $000	Other $000	Total $000	Revenue from contracts with customers $000	Other $000	Total $000
Other income	294	-	294	3 129	-	3 129
Total other income	**294**	**-**	**294**	**3 129**	**-**	**3 129**

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.

	2023 $000	2022 $000
Type of good and service:		
Service delivery	294	3 129
Total revenue from contracts with customers by good or service	**294**	**3 129**
Type of customer:		
Northern Territory Government controlled entities	294	2 744
Non-government entities	-	385
Total revenue from contracts with customers by type of customer	**294**	**3 129**
Timing of transfer of goods and services:		
Point in time	294	3 129
Total revenue from contracts with customers by timing of transfer	**294**	**3 129**

Expenses

Expenses encompasses both expenses from ordinary activities and losses.

Expenses from ordinary activities includes costs associated with paying salaries and wages, purchasing goods and services, interest payments and certain non-cash expenses such as depreciation.

Expenses from losses can include a loss on the disposal of an item of plant and equipment, loss incurred in writing down obsolete inventory and certain unrealised losses resulting from reductions in asset values.

DCS' primary expenditure relates to ICT expenses for hardware, software and specialist contractors, with employee expenses being the second largest driver of expenditure.

5 Purchases of goods and services

The net surplus/(deficit) has been arrived at after charging the following expenses:

	2023 $000	2022 $000
Goods and services expenses:		
Consultants[1]	4 166	4 022
Legal expenses[2]	-	22
Training and study	-	69
Official duty fares	1	-
Information technology charges and communications	8 586	9 939
Property management expenses	903	796
Insurance premiums	104	92
Agency service arrangements	1 057	1 029
Audit fees	27	24
Other [3]	41	40
	14 885	**16 033**

[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.

6 Interest expense

	2023 $000	2022 $000
Interest from lease liabilities[1]	211	230
Total	**211**	**230**

[1] Interest expense in 2023 and 2022 relate to lease liabilities in accordance with AASB 16.

7 Write-offs, postponements, waivers, gifts and ex-gratia payments

DCS had no write-offs, postponements, waivers, and gifts or ex-gratia payments for the year ended 30 June 2023 and 30 June 2022.

8 Income tax expense

	2023 $000	2022 $000
Prima facie income tax expense calculated at 30% of the surplus before income tax	1 573	1 063
Total	**1 573**	**1 063**

Assets

Assets are resources controlled by an entity that will provide a future economic benefit.

Assets encompasses cash and deposits, receivables, advances and investments, other financial assets, property, plant and equipment and intangibles.

DCS' primary assets comprises its property, plant and equipment, cash balances and prepayments.

9 Cash and deposits

	2023 $000	2022 $000
Cash on hand	10 450	8 833
Total	**10 450**	**8 833**

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.

10 Cash flow reconciliation

a) Reconciliation of Cash

The total of DCS' 'Cash and deposits' of $10.5 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

	2023 $000	2022 $000
Net surplus	**3 669**	**2 481**
Non-cash items:		
Depreciation and amortisation	4 004	4 524
Asset write-offs/write-downs	-	-
Changes in assets and liabilities:		
Decrease/(Increase) in receivables	(311)	(640)
(Decrease)/Increase in payables	1	(226)
(Decrease)/Increase in other payables	(66)	(347)
(Decrease)/Increase in provision for employee benefits	19	116
(Decrease)/Increase in other provisions	9	(2)
(Decrease)/Increase in income tax liability	510	(699)
(Decrease)/Increase in unearned income	(764)	(232)
Net cash from operating activities	**7 071**	**4 975**

b) Reconciliation of liabilities arising from financing activities

2022-23	CASH FLOWS						OTHER		
	1 July $000	Dividends paid $000	Equity injection/ withdrawal $000	Lease liabilities repayments $000	Other $000	Total cash flows $000	Other $000	Total other $000	30 June $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**

2021-22	CASH FLOWS						OTHER		
	1 July $000	Dividends paid $000	Equity injection/ withdrawal $000	Lease liabilities repayments $000	Other $000	Total cash flows $000	Other $000	Total other $000	30 June $000
Dividends	2 056	(2 056)	-	-	-	(2 056)	1 241	1 241	**1 241**
Lease liabilities	13 255	-	-	(1 272)	-	(1 272)	-	-	**11 983**
Equity injections / withdrawals	4 563	-	-	-	-	-	-	-	**4 563**
Total	**19 874**	**(2 056)**	**-**	**(1 272)**	**-**	**(3 328)**	**1 241**	**1 241**	**17 787**

c) Non-cash financing and investing activities

Lease transactions

DCS recorded no additional right-of-use assets for the lease of buildings for the 2022-23 and 2021-22 financial years.

11 Receivables

	2023 $000	2022 $000
Current		
Accounts receivable	335	866
Accrued contract revenue	2 538	2 472
Interest receivables	34	5
GST receivables	277	-
Prepayments	9 916	8 431
	13 101	**11 774**
Non-current		
Prepayments	1 645	2 661
Total receivables	**14 746**	**14 435**

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 2022-23 and 2021-22 financial years.

Accrued contract revenue

Accrued contract revenue arises from contracts with customers where DCS' right to consideration in exchange for goods transferred to customers or works completed have arisen but have not been billed at the reporting date. Once 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 is 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 increase in net prepayments in 2022-23 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 *Financial Management Act 1995*, 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.

DCS' credit risk exposure has not materially changed due to minimal business disruption experienced as a result of COVID-19. There is no material impact on the agency's expected credit losses due to COVID-19.

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

	2023				2022			
	Gross receivables $000	Loss Rate $000	Expected credit losses $000	Net receivables $000	Gross receivables $000	Loss Rate $000	Expected credit losses $000	Net receivables $000
Internal receivables								
Not overdue	327	-	-	327	853	-	-	853
Overdue for less than 30 days	-	-	-	-	6	-	-	6
Overdue for 30 to 60 days	1	-	-	1	1	-	-	1
Overdue for more than 60 days	-	-	-	-	-	-	-	-
Total internal receivables	**328**	**-**	**-**	**328**	**860**	**-**	**-**	**860**
External receivables								
Not overdue	7	-	-	7	6	-	-	6
Overdue for less than 30 days	-	-	-	-	-	-	-	-
Overdue for 30 to 60 days	-	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-	-
Total external receivables	**7**	**-**	**-**	**7**	**6**	**-**	**-**	**6**

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 2022-23 and 2021-22 from the assessment of expected credit losses.

12 Advances and investments

DCS had no advances paid, equity accounted investments and investments in shares for the 2022-23 and 2021-22 financial years.

13 Other financial assets

The agency does not have any finance lease or sublease arrangements for 2022-23 and 2021-22.

14 Property, plant and equipment

Total property, plant and equipment

	2023 $000	2022 $000
Infrastructure		
At capitalised cost	27	27
Less: accumulated depreciation	(10)	(7)
	17	**20**
Plant and equipment		
At capitalised cost	13 012	11 127
Less: accumulated depreciation	(2 209)	(1 654)
	10 803	**9 473**
Computer hardware		
At capitalised cost	7 524	8 265
Less: accumulated depreciation	(7 430)	(7 599)
	94	**666**
Leased property, plant and equipment		
At capitalised cost	15 850	15 399
Less: accumulated amortisation	(4 985)	(3 600)
	10 865	**11 799**
Total property, plant and equipment	**21 779**	**21 958**

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:

2022-23	Infrastructure $000	Plant and equipment $000	Computer hardware $000	Leased property, plant and equipment $000	Total $000
Carrying amount as at 1 July 2022	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 2023	**17**	**10 803**	**94**	**10 865**	**21 779**

2021-22	Infrastructure $000	Plant and equipment $000	Computer hardware $000	Leased property, plant and equipment $000	Total $000
Carrying amount as at 1 July 2021	23	9 751	1 851	13 156	24 781
Additions	-	273	1 121	-	1 394
Additions of right-of-use assets	-	-	-	-	-
Depreciation expense – asset owned	(3)	(552)	(2 306)	-	(2 861)
Amortisation expense – right-of-use asset	-	-	-	(1 357)	(1 357)
Additions/disposals from asset transfers	-	-	-	-	-
Revaluation Increments/Decrements	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Carrying amount as at 30 June 2022	**20**	**9 473**	**666**	**11 799**	**21 958**

Acquisitions

All 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.

The construction cost of property, plant and equipment includes the cost of materials and direct labour, and an appropriate proportion of fixed and variable overheads.

Complex assets

Major items of plant and equipment comprising a number of components that have different useful lives, are accounted for as separate assets. The components may be replaced during the useful life of the complex asset.

Subsequent additional costs

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to DCS in future years. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and separately depreciated over their expected useful lives.

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 2022-23 to reflect the impact of the increase to CPI.

There has been no impairment loss for DCS in 2022-23 and 2021-22.

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:

	2023 $000	2022 $000
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 15.

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

15 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 14.

2022-23	Leased buildings $000	Leased transport equipment $000	Total $000
Balance as at 1 July 2022	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 2023	**10 849**	**16**	**10 865**

2021-22	Leased buildings $000	Leased transport equipment $000	Total $000
Balance as at 1 July 2021	13 122	34	13 156
Additions	-	-	-
Disposals	-	-	-
Amortisation expense	(1 348)	(9)	(1 357)
Other movements – Revaluation Increments/ (Decrements)	-	-	-
Carrying amount as at 30 June 2022	**11 774**	**25**	**11 799**

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

	2023 $000	2022 $000
Amortisation expense of right-of-use assets	(1 385)	(1 357)
Interest expense on lease liabilities	(211)	(230)
Total amount recognised in the comprehensive operating statement	**(1 596)**	**(1 587)**

Recognition and measurement

DCS assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

DCS recognises lease liabilities 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 initially measured at the amount of initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date.

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:

	2023	2022
Building	2-18 years	2-18 years
Transport Equipment	2 to 4 years	2 to 4 years

16 Intangibles

a) Total intangibles

	2023 $000	2022 $000
Intangibles with a finite useful life		
Computer software		
Gross carrying amount	2 759	2 759
Less: accumulated amortisation	(2 759)	(2 276)
Carrying amount at 30 June	-	483
Total intangibles	**-**	**483**

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:

	2023	2022
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 2023.

b) Reconciliation of carrying amount of intangibles

2022-23	Computer software $000	Total $000
Intangibles with a finite useful life		
Carrying amount at 1 July 2022	483	483
Additions	-	-
Disposals	-	-
Amortisation	(483)	(483)
Other movements – *Revaluation Increments/(Decrements)*	-	-
Carrying amount as at 30 June 2023	**-**	**-**

2022-23	Computer software $000	Total $000
Intangibles with a finite useful life		
Carrying amount at 1 July 2021	789	789
Additions	-	-
Disposals	-	-
Amortisation	(306)	(306)
Other movements – *Revaluation Increments/(Decrements)*	-	-
Carrying amount as at 30 June 2022	**483**	**483**

Liabilities

Liabilities are present obligations of an entity that arise from past events, the settlement of which is expected to result in an outflow of resources or economic benefits.

Liabilities encompasses payables, accrued expenses, employee benefit liabilities, provisions and lease liabilities.

DCS' primary liabilities comprises its lease liabilities, provisions and income tax liabilities.

17 Payables

	2023 $000	2022 $000
Accounts payable	1	-
Accrued salaries and wages	121	106
Other accrued expenses	518	528
GST Payable	-	71
Total Payables	**640**	**705**

Liabilities for accounts payable and other amounts payable are carried at 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 the receipt of a valid invoice for 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.

18 Income tax liabilities

	2023 $000	2022 $000
Income tax liabilities	1 573	1 063
Total Income tax liabilities	**1 573**	**1 063**

19 Lease liabilities

	2023 $000	2022 $000
Current		
Lease liabilities	1 372	1 296
Non-current		
Lease liabilities	9 741	10 687
Total lease liabilities	**11 113**	**11 983**

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. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable
- variable lease payments that depend on an index or a rate
- amounts expected to be paid under residual value guarantees
- exercise price of a purchase options reasonably certain to be exercised by DCS
- payments of penalties for terminating the lease, if the lease term reflects DCS exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate 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 DCS' 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.

	2023 $000	2022 $000
Balance at 1 July	11 983	13 255
Additions/remeasurements	451	-
Interest expenses	211	230
Payments	(1 532)	(1 502)
Balance at 30 June	**11 113**	**11 983**

DCS had total cash outflows for leases of $1.5 million in 2022-23 ($1.5 million in 2021-22).

DCS had no future minimum lease payments under non-cancellable leases not recorded as liabilities for 2022-23 and 2021-22.

20 Provisions

	2023 $000	2022 $000
Current		
Employee benefits		
Recreation leave	928	910
Leave loading	76	76
Other employee benefits	11	10
Other current provisions		
Provision for dividends	1 835	1 241
Provision for fringe benefits tax	3	3
Provision for superannuation	134	125
Provision for payroll tax	62	61
Other provisions	-	-
Total provisions	**3 049**	**2 426**
Reconciliations of provision for dividends		
Balance as at 1 July	1 241	2 056
Additional provisions recognised	1 835	1 241
Reductions arising from payments	(1 241)	(2 056)
Balance as at 30 June	**1 835**	**1 241**

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, and recreation leave. Liabilities arising in respect of wages and salaries, 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.

DCS employed 50 employees as at 30 June 2023 (48 employees as at 30 June 2022).

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.

21 Other liabilities

	2023 $000	2022 $000
Current		
Unearned contract revenue	696	765
Non-current		
Unearned contract revenue	155	850
Total other liabilities	**851**	**1 615**

Financial guarantee contracts

DCS had no financial guarantee contracts as at 30 June 2023 or 30 June 2022.

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 2023 is $0.9 million (balance at 30 June 2022 was $1.6 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 2022, $0.8 million has been recognised as revenue in 2022-23.

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:

	2023 $000	2022 $000
Not later than 1 year	696	765
Later than 1 year and not later than 5 years	155	850
Total	**851**	**1 615**

22 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 2022-23 and 2021-22.

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:

	2023		2022	
	Internal $000	External $000	Internal $000	External $000
Not later than 1 year	-	3 931	-	3 931
Later than 1 year and not later than 5 years	-	-	-	3 931
Later than 5 years	-	-	-	-
Total other non-cancellable contract commitments (exclusive of GST)	**-**	**3931**	**-**	**7 862**
Plus: GST recoverable	-	393	-	786
Total other non-cancellable contract commitments (inclusive of GST)	**-**	**4 324**	**-**	**8 648**

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

23 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.

	2023 $000	2022 $000
Capital		
Balance as at 1 July 2022	**4 563**	**4 563**
Equity injections		
Equity injections	-	-
Equity transfers	-	-
Balance as at 30 June 2023	**4 563**	**4 563**
Accumulated Funds		
Balance as at 1 July 2021	**23 353**	**22 112**
Surplus for the period	3 669	2 481
Dividends payable	(1 835)	(1 241)
Special dividend	-	-
Balance as at 30 June 2022	**25 187**	**23 353**
Total Equity	**29 750**	**27 916**

24 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.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

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.

25 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.

Financial assets and liabilities are recognised on the Balance Sheet when DCS becomes a party to the contractual provisions of the financial instrument. DCS' financial instruments include cash and deposits, receivables, payables and finance lease liabilities.

Due to the nature of operating activities, certain financial assets and financial liabilities arise under statutory obligations rather than a contract. Such financial assets and liabilities do not meet the definition of financial instruments as per AASB 132 Financial Instruments: Presentation. These include statutory receivables arising from taxes including GST and penalties.

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				
2022-23	Mandatorily at fair value $000	Designated at fair value $000	Amortised cost $000	Fair value through other comprehensive income $000	Total $000
Cash and deposits	-	-	10 450	-	10 450
Receivables[1]	-	-	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.

	Fair value through profit or loss				
2021-22	Mandatorily at fair value $000	Designated at fair value $000	Amortised cost $000	Fair value through other comprehensive income $000	Total $000
Cash and deposits	-	-	8 833	-	8 833
Receivables[1]	-	-	871	-	871
Total financial assets	**-**	**-**	**9 704**	**-**	**9 704**
Payables[1]	-	-	-	-	-
Lease liabilities	-	-	11 983	-	11 983
Total financial liabilities	**-**	**-**	**11 983**	**-**	**11 983**

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

Categories of financial instruments

DCS' financial instruments are classified in accordance with AASB 9.

Financial assets are classified under the following categories:

- amortised cost.

Financial liabilities are classified under the following categories:

- amortised cost.

Financial assets at amortised cost

Financial assets are classified at amortised cost when they are held by DCS to collect the contractual cash flows and the contractual cash flows are solely payments of principal and interest.

These assets 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 cash and deposits and receivables.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently 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 11.

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

2022-23	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**

2021-22	Carrying amount $000	Less than a year $000	1 to 5 years $000	More than 5 years $000	Total $000
Liabilities					
Payables[1]	-	-	-	-	-
Lease Liabilities	11 983	1 502	5 866	5 801	13 169
Total financial liabilities	**11 983**	**1 502**	**5 866**	**5 801**	**13 169**

[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 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 2023	
Financial assets – cash at bank	±105
Net sensitivity	**±105**
30 June 2022	
Financial assets – cash at bank	±88
Net sensitivity	**±88**

(ii) Price risk

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

(iii) Currency risk

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.

26 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:

- Ngaree Ah Kit, Minister for Corporate and Digital Development
- Chris Hosking, Chief Executive Officer of DCDD
- Greg Connors, A/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:

	2023 $000	2022 $000
Short-term benefits	229	228
Post-employment benefits	25	25
Total	**254**	**253**

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.

2022-23

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

2021-22

Related party	Revenue from related parties $000	Payments to related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
NTG agencies	30 819	4 595	3 320	4 122

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.

27 Contingent liabilities and contingent assets

DCS had no contingent liabilities or contingent assets as at 30 June 2023 or 30 June 2022.

28 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.

29 Budgetary information

The following tables present the variation between the 2022-23 original budgeted financial statements, as reported in *2022-23 Budget Paper No. 3 Agency Budget Statements*, and the 2022 23 actual amounts reported in the financial statements, together with explanations for significant variations.

Comprehensive Operating Statement

	Note	2023 Actual $000	2023 Original budget $000	Variance $000
INCOME				
Sales of goods and services	1	30 492	27 038	3 454
Interest revenue		286	10	276
Other income		294	-	294
TOTAL INCOME		**31 072**	**27 048**	**4 024**
EXPENSES				
Employee expenses		6 729	6 797	68
Administrative expenses				
Purchases of goods and services	2	14 885	12 976	(1 909)
Depreciation and amortisation		4 004	3 623	(381)
Impairment losses		-	-	-
Interest expenses		211	218	7
TOTAL EXPENSES		**25 830**	**23 614**	**(2 216)**
NET SURPLUS/(DEFICIT)		**5 242**	**3 434**	**1 808**
Income tax expense	3	1 573	1 030	(543)
NET SURPLUS		**3 669**	**2 404**	**1 265**
COMPREHENSIVE RESULT		**3 669**	**2 404**	**1 265**

This comparison is different from the Operating Statement presented in the financial statement overview at the front of this report. This note reflects the original budget and the overview section references the final budget which incorporates budget adjustments approved during the year.

The following note descriptions relate to variances greater than 10 per cent or $0.5 million, or where multiple significant variances have occurred.

Notes:

1. Sales of goods and services largely reflects increased ICT charges as a result of the 2022-23 pricelist, combined with demand driven growth for services, in particular midrange services.
2. Purchase of goods and services increase is predominantly due to higher than expected demand for midrange and enterprise storage services, combined with increased property management expenditure relating to lease payments for data centres.
3. Increase in income tax expense is due to an improved operating result.

Balance Sheet

	Note	2023 Actual $000	2023 Original Budget $000	Variance $000
ASSETS				
Current assets				
Cash and deposits		10 450	10 695	(245)
Receivables	1	13 101	10 433	2 668
Total current assets		**23 551**	**21 128**	**2 423**
Non-current assets				
Receivables	2	1 645	3 187	(1 542)
Property, plant and equipment	3	21 779	21 216	563
Other assets		-	290	(290)
Total non-current assets		**23 424**	**24 693**	**(1 269)**
TOTAL ASSETS		**46 975**	**45 821**	**1 154**
LIABILITIES				
Current liabilities				
Payables		640	1 105	465
Income tax liabilities	4	1 573	1 030	(543)
Provisions	5	3 049	2 274	(775)
Lease liabilities		1 372	1 272	(100)
Other liabilities	6	696	258	(438)
Total current liabilities		**7 329**	**5 939**	**(1 391)**
Non-current liabilities				
Lease liabilities		9 741	9 486	(255)
Other liabilities	6	155	1 587	1 432
Total non-current liabilities		**9 896**	**11 073**	**1 177**
TOTAL LIABILITIES		**17 225**	**17 012**	**(214)**
NET ASSETS		**29 750**	**28 809**	**941**
EQUITY				
Capital		4 563	4 563	-
Opening balance		23 353	23 044	309
Current year surplus (+)/deficit (-)	4	3 669	2 404	1 265
Dividends paid/payable	4	(1 835)	(1 202)	(633)
TOTAL EQUITY		**29 750**	**28 809**	**941**

This comparison is different from the Balance Sheet presented in the financial statement overview at the front of this report. This note reflects the original budget and the overview section references the final budget which incorporates budget adjustments approved during the year.

Further, the original published budget figure has not been adjusted to reflect the actual opening balances as at 1 July 2022.

The following note descriptions relate to variances greater than 10 per cent or $0.5 million, or where multiple significant variances have occurred.

Notes:

1. Current receivables variance is largely due to higher than anticipated prepayments for software licensing and maintenance contracts compared to original budget.
2. Non-current receivables variance reflects reclassification of prepayments to current portion.
3. Property, plant and equipment increase is due to increased value for buildings under lease.
4. Increase in income tax liabilities, current year surplus and dividends payable is in line with an improved operating result.
5. Increase in provisions largely relate to higher than expected provision for dividend and employee provisions.
6. Net other liabilities variance reflects portion of unearned revenue which have unwound in 2022-23.

Cash Flow Statement

	2023 Actual $000	2023 Original Budget $000	Variance $000	Note
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating receipts				
Receipts from sales of goods and services	30 485	27 038	3 447	1
GST receipts	1 627	-	1 627	2
Interest received	257	10	247	
Total operating receipts	**32 369**	**27 048**	**5 321**	
Operating payments				
Payments to employees	(6 684)	(6 797)	113	
Payments for goods and services	(15 365)	(12 976)	(2 389)	3
GST payments	(1 975)	-	(1 975)	2
Income tax paid	(1 063)	(800)	(263)	
Interest paid	(211)	(218)	7	
Total operating payments	**(25 298)**	**(20 791)**	**(4 507)**	
Net cash from/(used in) operating activities	**7 071**	**6 257**	**814**	
CASH FLOWS FROM INVESTING ACTIVITIES				
Investing payments				
Purchases of assets	(2 891)	(2 160)	(731)	4
Total investing payments	**(2 891)**	**(2 160)**	**(731)**	
Net cash from/(used in) investing activities	**(2 891)**	**(2 160)**	**(731)**	
CASH FLOWS FROM FINANCING ACTIVITIES				
Financing payments				
Dividends paid	(1 241)	(933)	(308)	
Lease liabilities payments	(1 322)	(1 262)	(60)	
Total financing payments	**(2 563)**	**(2 195)**	**(368)**	
Net cash from/(used in) financing activities	**(2 563)**	**(2 195)**	**(368)**	
Net increase/(decrease) in cash held	1 617	1 902	(285)	
Cash at beginning of financial year	8 833	8 793	40	
CASH AT END OF FINANCIAL YEAR	**10 450**	**10 695**	**(245)**	

The following note descriptions relate to variances greater than 10 per cent or $0.5 million, or where multiple significant variances have occurred.

Notes:

1. Sales of goods and services largely reflects increased ICT charges as a result of the 2022-23 pricelist, combined with demand driven growth for services, in particular midrange services.
2. Variance relates to GST receipts and payments not included in the original budget.
3. Payments for goods and services increase is due to higher than expected demand for midrange services, enterprise storage services and rental of premises for data centres compared to original budget.
4. Purchase of assets has increased due to higher than anticipated capital acquisitions in plant and equipment, partially offset by lower than expected capital purchases for computer hardware.