

# 24/7/365



**DELIVERING  
WATER AND  
SEWERAGE SERVICES  
TO TASMANIANS  
24/7/365**

**2016  
2017  
ANNUAL  
REPORT**

  
**taswater**



Stuart  
**ZERO  
HARM**

taswater

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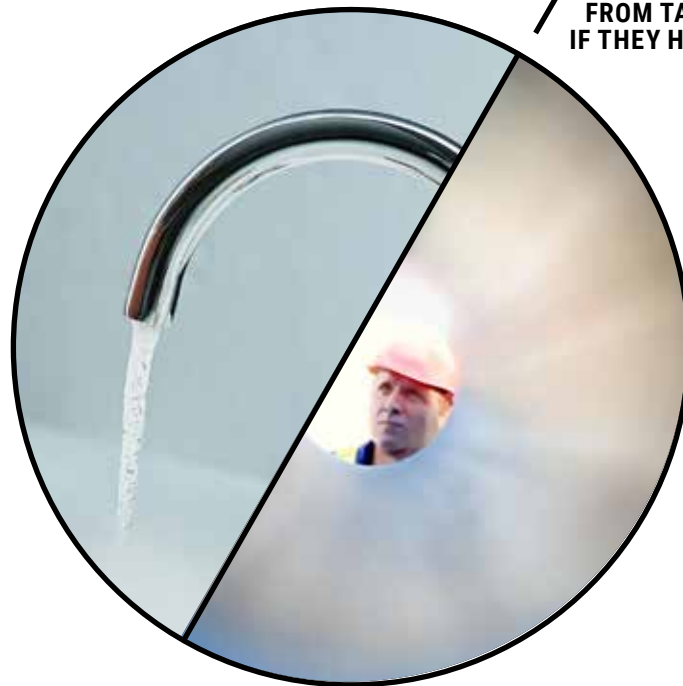
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# WELCOME

**24/7/ 365**

**EVERY DAY, TASWATER'S 200,000+ CUSTOMERS RIGHTLY EXPECT THAT:**

**WATER WILL COME OUT OF THEIR TAP, THEIR SEWAGE WILL BE TAKEN CARE OF, THEIR TAP WATER IS SAFE TO DRINK AND TASTES GOOD, AND THAT SOMEONE FROM TASWATER IS THERE TO HELP IF THEY HAVE A PROBLEM.**



**Our 2016-17 Annual Report details our accomplishments, challenges and operational improvements in line with our Corporate Plan, vision and values.**

Every day, TasWater works 24/7/365 to meet our customers' expectations by:

- ▶ Producing 196 million litres of drinking water
- ▶ Collecting 137 million litres of sewage
- ▶ Maintaining 6,231 kilometres of water mains and 4,716 kilometres of sewer mains (combined, this is equal to the distance from Hobart to New Delhi)
- ▶ Answering 440 customer calls and resolving 81 per cent in that first phone call (that is one every three minutes, 24 hours a day, seven days a week, 365 days a year).

# ABOUT TASWATER

TasWater is an incorporated company providing water and sewerage services to homes and businesses across Tasmania. Our core aims are to:

- ▶ Reliably source, treat and deliver quality drinking water to our customers
- ▶ Collect, transport and treat sewage and trade waste, and safely return wastewater to the environment.

We commenced operations on 1 July 2013 following the merger of the three former regional Tasmanian water and sewerage corporations (Ben Lomond Water, Cradle Mountain Water and Southern Water), and the common services provider Onstream. The merger involved the managed transfer of \$1.54 billion in water and sewerage assets and 842 full time employees to the new corporation.

We were established under the *Water and Sewerage Corporation Act 2012* and the *Corporations Act 2001*. In addition, we operate under a range of other legislative and regulatory instruments including the:

- ▶ *Water and Sewerage Industry Act 2008*
- ▶ *Environmental Management and Pollution Control Act 1994*
- ▶ *Public Health Act 1997*
- ▶ *Land Use Planning and Approvals Act 1993*
- ▶ *Water Management Act 1999*
- ▶ TasWater’s Constitution
- ▶ Shareholders’ Letter of Expectations.

We are owned by 29 Tasmanian councils who receive returns through dividends, tax equivalent payments and guarantee fees.

## OWNER’S REPRESENTATIVES GROUP

The Owners’ Representatives Group (ORG) is comprised of one representative from each of the 29 member councils. The functions, duties and responsibilities of the ORG are outlined in TasWater’s Constitution and the Shareholders’ Letter of Expectations.

<sup>1</sup>Their duties include the selection and appointment of Directors, preparation of the Shareholders’ Letter of Expectations, and liaison between member councils and the TasWater Board.

Our owner councils and representatives during the year were:

Council name	Owner’s representative
Break O’Day Council	Mayor Mick Tucker
Brighton Council	Mayor Tony Foster AM OAM JP
Burnie City Council	Mayor Anita Dow
Central Coast Council	Mayor Jan Bonde
Central Highlands Council	Mayor Deirdre Flint OAM (dec) (part year) Deputy Mayor Lana Benson (part year)
Circular Head Council	Deputy Mayor Jan Bishop
Clarence City Council	Mayor Doug Chipman
Derwent Valley Council	Mayor Martyn Evans
Devonport City Council	Alderman Grant Goodwin
Dorset Council	Mayor Greg Howard
Flinders Council	Councillor Gerald Willis
George Town Council	Mayor Bridget Archer
Glamorgan Spring Bay Council	Mayor Michael Kent
Glenorchy City Council	Mayor Kristie Johnston (part year) Commissioner Sue Smith (part year)
Hobart City Council	Lord Mayor Alderman Sue Hickey
Huon Valley Council	Mayor Peter Coad (part year) Commissioner Adriana Taylor (part year)
Kentish Council	Mayor Don Thwaites
Kingborough Council	Mayor Steve Wass
King Island Council	Councillor Royce Conley
Latrobe Council	Mayor Peter Freshney
Launceston City Council	Mayor Albert van Zetten
Meander Valley Council	Mayor Craig Perkins
Northern Midlands Council	Mayor David Downie <sup>1</sup>
Sorell Council	Mayor Kerry Vincent
Southern Midlands Council	Mayor Tony Bisdee OAM <sup>2</sup>
Tasman Council	Deputy Mayor Kelly Spaulding
Waratah-Wynyard Council	Mayor Robby Walsh
West Coast Council	Mayor Phil Vickers
West Tamar Council	Councillor Richard Ireland

<sup>1</sup> Chief Representative

<sup>2</sup> Deputy Chief Representative

# ON BEHALF ON THE TASWATER BOARD, I AM PLEASED TO PRESENT THE TASWATER ANNUAL REPORT 2016-17.

**MILES HAMPTON  
CHAIRMAN**



**This year we continued to focus on our service delivery with improvements across a number of important performance metrics, including water quality, water service delivery, sewage compliance and sewerage service delivery. We acknowledge in some areas it will take several years before core performance metrics will align with national benchmarks, however it needs to be understood that comparable utilities are between 10-20 years ahead of us in the reform journey. Nevertheless, in just four years we have made significant improvements to the services we offer.**

At the same time we delivered on \$104 million in capital improvements across a wide range of projects addressing compliance, growth and renewal during this financial year. Included among the major projects was the commencement of the \$51 million Blackmans Bay Sewage Treatment Plant.

Since establishment in 2013 we have spent \$413 million on capital projects.



*Heath Mayne working on a reticulation pipe repair in Kingston.*

The net profit after tax of \$28.6 million was ahead of the previous year (\$25.3 million). The result,

which was impacted by one-off restructuring costs, represents a modest return, but is important in ensuring our ability to self-fund our long term plan.

We continue to focus on achieving a sensible balance across a range of competing objectives. It is pleasing that our regulators recognise the challenge this brings, and are also prepared to work with us in making a significant contribution to finding that balance.

In 2015-16 TasWater prices were the lowest in Australia for comparable water and sewerage utilities. We expect the 2016-17 national benchmarking report will confirm that our prices remain in the lowest quartile.

In 2015-16, TasWater capital investment per household outstripped all other similar utilities across Australia. We expect that the 2016-17 national benchmarking report will confirm that has continued. This level of investment per household is not only necessary but must increase if we are to deliver the outcomes our customers, owners and regulators expect.

Over the past four years we have made significant headway in our understanding of the water and sewerage needs across the state. The expertise of our experienced and talented water scientists and engineers has allowed us to develop a sensible, engineering-based plan to address our challenges in a way that builds long-term capacity, keeps customer bills affordable and does not encumber the business with unsustainable debt.

In August 2016 we announced our fully-funded \$1.55 billion, 10-year plan to address Tasmania's infrastructure needs. The plan does not depend

on State or Federal funding – instead, it requires TasWater to find increased savings through greater efficiency and productivity gains. Since the reform occurred we have already secured significant operational cost savings, but are targeting further savings as part of our effort to keep tariff increases as low as possible.

As part of our 10-year plan we also announced that we will be reducing the dividends paid to our owner councils, to ensure we can deliver improved outcomes in a sensible timeframe. It is pleasing to note that they accepted and endorsed this decision.

The 10-year plan is now in place and rolling out across Tasmania. The initial focus is to remove all permanent Public Health Alerts (PHAs) from regional towns around the state. At the end of this financial year, 99.2 per cent of TasWater’s customers could safely drink water straight from the tap, and this will be extended to 100 per cent of our customers by the end of August 2018.

Our other major objective is to improve the performance of sewage treatment plants (STPs) to ensure we are working towards compliance with current environmental standards. In the past year, TasWater and the Environment Protection Authority (EPA) agreed on a strategy to concentrate first on improving the 13 largest STPs by volume, or those that have the highest impact on their surrounding environment. Focusing on volume and impact, rather than simply the number of compliant plants, allows us to make the biggest difference in the fastest way.

*Andrew Hooper and Robert Emery laying new infrastructure in Latrobe.*



In March 2017 the State Government announced its intention to introduce legislation to take over TasWater. In doing so it claimed that water and sewerage services in Tasmania were in crisis, although neither the Tasmanian Department of Health and Human Services (DHHS) nor the EPA had ever asserted that any critical situation existed.

On behalf of TasWater’s dedicated and hard-working staff and our owner councils, I have defended our record and assured the Tasmanian community that we have a sensible, fully-funded 10-year plan to address infrastructure shortcomings.

We remain confident that our plan appropriately balances improved compliance, time frames and price increases.

I acknowledge the extraordinary effort of the TasWater team to remain focused on the task at hand. The determination to deliver our 2016-17 plan in challenging circumstances reflects much credit to their professionalism and commitment.

Finally, I thank my fellow Directors for their support and guidance throughout a year of significant achievement.

# FROM ITS INCEPTION IN 2013, TASWATER HAS BEEN DETERMINED TO ESTABLISH A CUSTOMER FOCUSED ORGANISATION.

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**MICHAEL BREWSTER**  
CEO



## CUSTOMER AND COMMUNITY PERFORMANCE

From its inception in 2013, TasWater has been determined to establish a customer focused organisation. To do this, we focus on how we can keep customer bills affordable while still allowing the organisation enough scope to get on with the job of fixing Tasmania's water and sewerage infrastructure and delivering the services our customers expect.

*I am pleased to report that customer satisfaction is currently tracking at 93 per cent as compared to our target of 70 per cent. Recently, the Report on Australian Water Utilities conducted by the Australian Bureau of Meteorology reported that 89 per cent of calls to our call centre were answered within 30 seconds. This both exceeds our target of 85 per cent and ranks TasWater as the best in Australia of any similar sized water utility.*

The State of the Industry Report released in March 2016 shows all measures related to service interruptions are trending in the right direction. These are good results, but we do not shy away from the fact that there is more to do.

We have recently submitted a draft of our third Price and Service Plan (PSP3), an important part of which is to identify gaps in our service and improve our customer understanding and engagement.

To prepare the PSP3 we not only built on the learning and knowledge gained in our first three years of operation, but also undertook exhaustive research to identify what our customers want and expect us to deliver as their water utility. We conducted more than 500 telephone surveys, six focus groups and 20 discussions with major customers and peak bodies right across the state. These insights formed the basis of our PSP3 submission to the economic regulator, as well as informing the direction and outcomes in our Long Term Strategic Plan.

## WATER AND ENVIRONMENTAL OUTCOMES

Thanks to the dedicated efforts of our staff, we are on track to deliver on our public commitment to remove 12 PHAs by the end of August 2017, with the remaining 16 PHAs scheduled for removal by the end of August 2018.

While removing drinking water PHAs is a key objective for TasWater, it is equally important that we reduce the need for temporary PHAs. To that end, we have placed considerable effort into



reducing the potential causes of *E. coli* detections, which can lead to temporary PHAs. It is therefore pleasing to see a 67 per cent reduction in the number of *E. coli* detections during this financial year.

In terms of infrastructure improvements, the pipeline from Fingal to Avoca is now operational, and has reduced the number of water systems we



*Pet Dam, located south of Burnie.*

operate. Coming from such a dispersed and varied base, it is important that we seek to rationalise and consolidate our assets wherever possible to reduce our operating costs.

The number of dams that plot above the ANCOLD (Australian National Committee on Large Dams) limit of tolerability (LoT) for societal risk was 10 at the end of the financial year, with important works completed at the Margaret Street Detention Basin one of many undertaken during this period. Further scheduled works are expected at the Flagstaff Gully Dam, while the Conglomerate Dam upgrade is scheduled for completion in March 2018.

The Sewerage System Optimisation Program that commenced in January 2017 will improve volumetric compliance from 45 per cent to 65 per cent by the end of 2019 by focusing on the largest systems by volume where most of the non-compliance occurs, as well as the plants that have the highest localised environmental impacts.

The Environment Protection Authority (EPA) has agreed to this approach, which allows us to improve regulatory compliance by focusing first on the plants that have the greatest impact on compliance.

## COMMERCIAL AND ECONOMIC

TasWater's net profit after tax for the 2016-17 financial year was \$28.6 million, compared to a budgeted result of \$26.3 million. We have always sought better, more efficient ways of working and have generated over \$10 million in ongoing cost reductions since TasWater was established in 2013, including \$3.8 million in 2016-17. As we build new infrastructure or upgrade existing non compliant infrastructure our operating costs rise, therefore it is essential that we offset these increased operating costs with efficiency gains to ensure our customers' bills remain as low as possible.

Looking forward, we are on track to further increase the level of annualised savings to \$21 million by the end of our first 10-year plan. The majority of these savings will be achieved by reducing spend on electricity, chemicals, goods and services, while also ensuring we are delivering services that meet our customer's needs in a cost effective manner.

TasWater continues to actively foster positive working relationships with our industrial and commercial customers, ensuring we are all working towards improved customer operational efficiency, trade waste compliance, and reduced impact on the environment and TasWater's sewerage infrastructure. By the end of the 2016-17 financial year, 97.8 per cent of our industrial customers were operating under an Industrial Trade Waste Agreement (ITA), as compared to 80 per cent in the previous year. Similarly, 75 per cent of our almost 4,000 commercial customers had been inspected under our statewide Commercial Compliance Program by the end of 2016-17, demonstrating solid progress since the program commenced in March 2016.

## OUR PEOPLE AND CULTURE

TasWater's 2016-17 safety results were in line with our targets, reflecting our ongoing commitment to make Zero Harm an integral part of our corporate identity and everyday culture.

Our rolling Lost Time Injury Frequency Rate (LTIFR) was 3.8, representing a 22 per cent decrease from the previous year, while the Total Recordable Injury Rate (TRIFR) was 13.7 for the same period. Our safety statistics are trending favourably, and based on current performance we are well on the way to achieving our key safety performance indicators in the year ahead.

Finally, to our people – employees, Executives and Directors – we acknowledge the work you do and thank you for your efforts to help TasWater make a positive difference to Tasmania.

# OUR YEAR IN REVIEW

## JULY 2016

- ▶ Assumed ownership and running of Bronte Park water and sewerage assets

## AUGUST 2016

- ▶ TasWater Board announced a 10 year fully-funded plan to upgrade Tasmania's water and sewerage infrastructure, including removing PHAs from 28 Tasmanian towns by August 2018
- ▶ Partnered with Engineers Australia to become a Professional Development Program (PDP) partner, supporting TasWater graduates to become Chartered Engineers

## SEPTEMBER 2016

- ▶ Awarded Large Employer of the Year at the Skills Tasmania Training Awards



*TasWater's 2017 trainees at Bryn Estyn Water Treatment Plant; James Maddock, Jak Murphy, Thomas Stegink, and Manan Abrol.*



*Kate Blizzard and Cathy Cuthbertson representing TasWater at the 2016 Australian Training Awards.*

## OCTOBER 2016

- ▶ Barrington Water Treatment Plant (WTP) awarded Best Tap Water in Australia 2016 by the Water Industry Operators Association of Australia (WIOA)
- ▶ Semi-finalist in the Tasmanian Community Achievement Awards for the customer education campaign "Save Each Drop"
- ▶ Awarded WorkSafe Awards for Health and Safety Representative of the Year, and Best Individual Contribution to Work Health and Safety
- ▶ Finalist in the Australian Training Awards, Large Employer of the Year- Australian Government
- ▶ Presented prizes statewide for TasWater's National Water Week poster competition

## NOVEMBER 2016

- ▶ Permanent Boil Water Alert (BWA) lifted from Scamander after 10 years of alerts, making it the first in TasWater's 24glasses project ([www.24glasses.com.au](http://www.24glasses.com.au))
- ▶ Do Not Consume Notice (DNC) lifted in Whitemark

- ▶ Over 100 TasWater employees relocated to the newly-refurbished Steele Street site in Devonport, centralising the Network Operations Centre (NOC), and Customer Service Centre (CSC)
- ▶ Celebrated 86 staff graduating with a variety of formal qualifications thanks to support from TasWater
- ▶ TasWater mechanical engineer Mark Rippon wins 2016 Young Water Professional of the Year Award (Gary Ingram Memorial Award from the Australian Water Association)

## DECEMBER 2016

- ▶ Sponsored the Royal Flying Doctor Service “Right as Rain” initiative to improve health outcomes in rural and regional towns around Tasmania
- ▶ Selected UTAS engineering students join TasWater to undertake their three-month Internship Program
- ▶ Filling and testing of the new water storage tanks at Tolosa Street, Glenorchy, as part of the Tolosa Water Supply Upgrade Project

## JANUARY 2017

- ▶ Supported Big Monkey Theatre Company’s performance of Alice in Wonderland as part of TasWater’s Community Small Grants Program

## FEBRUARY 2017

- ▶ UTAS science student Olivia Wilson is awarded TasWater’s prestigious Steve Balcombe Scholarship for 2017

## MARCH 2017

- ▶ Mole Creek WTP completed and producing water
- ▶ TasWater community engagement and education staff met with King Island residents, to mark the start of the \$17.4 million King Island Water Scheme
- ▶ Richmond’s sewage pumping station (SPS) and main upgrade began

## APRIL 2017

- ▶ Long-term testing at the Rosny STP resulted in optimised chemical usage and the phasing-out of redundant equipment, saving TasWater \$48,000 in the 2016-17 financial year

## MAY 2017

- ▶ Ringarooma WTP started producing water, and when testing is completed will supply drinking water to Ringarooma, Legerwood, Branxholm, Winnaleah and Derby
- ▶ Sod turned on the Kingborough sewerage upgrade project. Costing over \$50 million, this will be TasWater’s single largest infrastructure project to date, with three sewage treatment plants being decommissioned and their flows diverted to an upgraded Blackmans Bay Sewage Treatment Plant



*New water storage tanks at Tolosa Street, Glenorchy.*

- ▶ Work to upgrade the Conglomerate Dam in Queenstown commenced
- ▶ Works began on Bicheno’s new underground sewage pump station (SPS), which will improve capacity when completed in late 2017
- ▶ New water meters installed in Wynyard, Somerset and Yalla as part of an ongoing statewide renewal program

## JUNE 2017

- ▶ TasWater Community Small Grants Program awarded \$20,000 to seven Tasmanian community groups, aimed at improving quality of life in their local areas
- ▶ TasWater employee Adela Parnell awarded the 2017 Institute of Public Works Engineering Australia (IPWEA) 2017 “Young Emerging Leader Award” for Tasmania.

# OUR PERFORMANCE



Chris Lovegrove, Regional Water Service Operator, checking pressure at Legerwood.

**BELOW IS A SELECTED OVERVIEW OF TASWATER'S KEY PERFORMANCE INDICATORS, TAKEN FROM ACROSS THE BUSINESS.**

## CUSTOMERS AND COMMUNITY

### MEASURE

#### CUSTOMER SERVICE

##### KPI

Percentage of calls answered in 30 seconds

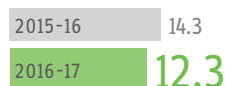
**TARGET** 85.0%



##### KPI

Total complaints per 1,000 connected properties

**TARGET** 9



##### KPI

Percentage of complaints processed within 10 business days

**TARGET** 90.0%



##### KPI

Development application processed within 10 business days

**TARGET** 98.0%



##### KPI

Building and plumbing applications processed within 10 business days

**TARGET** 98.0%



## MEASURE

### SERVICE INTERRUPTION AND RESPONSE

#### KPI

Sewer main breaks and chokes per 100km

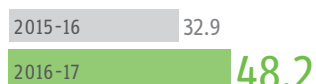
TARGET 52.0



#### KPI

Water main breaks per 100km

NO TARGET



#### KPI

Average time to attend sewage spills, breaks and chokes (minutes)

TARGET 60.0



#### KPI

Average time to attend priority 1 bursts and leaks (minutes)

TARGET 60.0



## WATER AND ENVIRONMENT

## MEASURE

### WASTEWATER COMPLIANCE

#### KPI

Percentage of volume fully compliant with EPA requirements

TARGET 52.0%



#### KPI

Trade waste customers with current consent/contracts

TARGET 80.0%



#### KPI

Reportable dry weather sewage spills

TARGET 110



## MEASURE

### DRINKING WATER COMPLIANCE

#### KPI

Percentage of potable systems compliant with ADWG microbiological guidelines

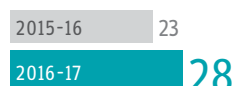
TARGET 98.0%



#### KPI

Towns on long-term BWAs or DNCs

TARGET 13



#### KPI

E. coli detections

TARGET 30



<sup>1</sup> A total of 31 detections for the year, however only 27 were from compliance monitoring points.

## COMMERCIAL AND ECONOMIC

## MEASURE

### FINANCIAL PERFORMANCE

#### KPI

Net profit after tax (\$'000s)

TARGET \$26,300



#### KPI

Sustainable cost savings (\$'000s)

TARGET \$3,500



## MEASURE

### PROGRESS AGAINST CAPITAL PLAN

#### KPI

Capital expenditure (\$'000s)

TARGET \$105,000



#### KPI

Total overdue debt as % of rolling revenue

TARGET 4.6%



#### KPI

Interest cover ratio

TARGET >2.0



## PEOPLE AND CULTURE

### MEASURE

#### SAFETY PERFORMANCE

##### KPI

Lost Time Injury Frequency Rate

TARGET 4.0



##### KPI

Total Recordable Injury Frequency Rate

TARGET 15.0



##### KPI

Safety interactions

TARGET 250



##### KPI

Notifiable incidents

TARGET 5



### MEASURE

#### WORKS COMPENSATION CLAIMS

##### KPI

Number of claims

TARGET NOT APPLICABLE



##### KPI

Claims value (\$'000s)

TARGET NOT APPLICABLE



### MEASURE

#### ANNUAL LEAVE TAKEN

##### KPI

Number of employees with leave balances in excess of 40 days

TARGET 160



### MEASURE

#### SICK LEAVE

##### KPI

Average sick days per FTE

TARGET <9.4



### MEASURE

#### WORKFORCE NUMBERS

##### KPI

Permanent employees, contact, fixed term, and labour hire (FTEs)

TARGET 919



# CUSTOMERS AND COMMUNITY

## BUILDING CONFIDENCE AND TRUST

THE TASMANIAN FIRE SERVICE'S 230 BRIGADES AROUND TASMANIA ARE RESPONDING TO HOUSE FIRES, ALARM CALLS, ROAD CRASHES, BUSHFIRES AND VEHICLE FIRES

**9AM**

**09:00**

ON AVERAGE, TASWATER'S 24 HOUR CONTACT CENTRE HAS ALREADY RECEIVED AND RESPONDED TO 180 CALLS FROM OUR CUSTOMERS, AND RESOLVED 81 PER CENT OF THEM ON FIRST CONTACT.



**TasWater has the fastest response to customer calls of all comparable water authorities in Australia, with 89 per cent of calls to our contact centre answered within 30 seconds. Our fully trained operators then have the capacity to deploy repair crews anywhere in the state, 24 hours a day, every day.**

At TasWater we are continually striving to understand the needs of our customers, to ensure the services we provide meet or exceed their expectations. We do this by making the most of every customer interaction - whether it be speaking with one of our Customer Service Officers over the phone, liaising with our staff in the field, or attending a community meeting for one of TasWater's projects.

Key service achievements from the 2016-17 financial year include:

- ▶ Relocating an expanded Network Operations Centre (NOC) and Customer Service Centre (CSC) to a newly refurbished single-site in Devonport in November 2016
- ▶ Introducing tablets for use in the field resulting in less paperwork and increased efficiency
- ▶ Implementation of monitoring via the NOC on 21 previously unmonitored sewage pump stations across the state
- ▶ Working towards improved cyber security and operability within the NOC.



## CUSTOMER SERVICE 24/7/365

*Josh Brown at the NOC, which supports TasWater customers and field staff 24 hours a day, 365 days a year.*

TasWater has been undertaking significant works to centralise our customer services during

the 2016-17 financial year, the final stage of which was the relocation of our CSC and NOC to the newly refurbished Steele Street facility in Devonport in November 2016.

The CSC provides statewide support to our customers 24 hours a day, seven days a week, 365 days a year. We are here when our customers need us, and our statistics reveal a high overall level of satisfaction with TasWater's customer service delivery:

Percentage of customers satisfied with the level of service received	93%
Percentage of calls answered in 30 seconds	89%

Regarded as TasWater's nerve centre, the NOC is truly a 24 hour operation and provides:

- ▶ Detailed monitoring of TasWater's water and sewerage assets, with the aim of pre-empting issues and increasing the efficiency of resource utilisation
- ▶ Monitoring of critical alarms
- ▶ Management of after-hours callouts for high priority issues
- ▶ Safety and fatigue management for remote TasWater workers
- ▶ Weather advice to reduce the hazards to TasWater staff and contractors resulting from severe weather events.

Combining the NOC and CSC on a single site has resulted in more accurate and timely reporting of performance and reduced response times. We are then able to use our performance data to refine and improve our processes, ultimately allowing us to deliver a more consistent customer service experience.

## CUSTOMER COMMUNICATIONS

The overall grade of service (GOS) across 24 hours, seven days a week, for the financial year was 89 per cent. This positively exceeds the Office of the Tasmanian Economic Regulator's (OTTER) target of 85 per cent.

Our customer services team received a total of 294,647 customer contacts for the financial year (162,553 voice, 21,759 face to face at our shop fronts, 79,335 via e-mail

and 31,000 via the postal service).

We received 8,459 customer contacts outside normal business hours, less than the number of contacts received in a single month during business hours.

## FROM COMPLAINT TO RESOLUTION

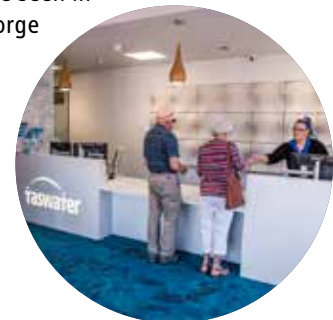
When a customer takes time to give us feedback, we take the opportunity to listen and fully understand their concerns. Our complaints are managed by our Customer Resolutions Team, who focus on resolving the customer's issues in a helpful and timely manner.

TasWater aims to respond to feedback within 10 days. During the year in review we were able to do so 93 per cent of the time, a five per cent improvement on 2015-16. Where we cannot respond in 10 days, we work with our customers to agree an alternative time frame.

There were 63 customer matters registered with the Tasmanian Ombudsman at 30 June 2017, a 16 per cent reduction from 2015-16. Of these enquiries, 45 were passed on to TasWater officers for review - with just two of those submitted to the Chief Executive Officer. All of these enquiries were subsequently resolved.

When we need to make a change based on a customer's feedback, we listen, we seek to understand, and we make the changes required to improve the customer's experience. An example of this approach in action can be seen in our interactions with George Town resident Malcolm Graskie - see the case study on page 15 for more information.

*Customers visiting our new Steele Street shopfront in Devonport.*



## BILLING

Our goal is to issue customer accounts at the same time every quarter. Over the past 12 months 99 per cent of our bills were issued on time.

As part of our focus to reduce operational costs and our impact on the environment, we continue to encourage customers to adopt eBilling as their preferred payment method, when convenient. At the end of the 2016-17 financial year, 13 per cent of our customers' bills were issued via email or BPAY, as compared to 8 per cent in 2015-16. Similarly, 3 per cent of customers chose to settle their bill by direct debit, as compared to just over 1 per cent in 2015-16.



## SUPPORTING OUR DEVELOPERS

Timely processing of development, building and plumbing applications continues to be a key performance indicator for TasWater. We continue to support the Tasmanian construction industry, with 99 per cent of all applications processed within our 10 business day timeframe in 2016-17.

During this period TasWater also worked closely with the Director of Building Control to streamline the process for identifying development applications that are exempt from TasWater's processes. Building services providers now make a determination as part of the preliminary assessment of a project without the need to make an application to TasWater.

## WORKING WITH OUR TRADE WASTE CUSTOMERS

At the end of the 2016-17 financial year, 75 per cent of our almost 4,000 commercial customers had been inspected under our statewide Commercial Compliance Program. Taswater works individually with these customers, assessing their business activities for trade waste and pre-treatment systems. Once assessed, we give our customers 18 months to implement any required changes - up to five times longer than comparable interstate water utilities.

Similarly, all but one of our industrial customers now operate under an Industrial Trade Waste Agreement (ITA), exceeding our desired target of 80 per cent. Many have made substantial commitments to improve their trade waste quality by implementing a combination of cleaner production improvements and capital expenditure on pre-treatment equipment.

Trade waste compliance ultimately benefits the environment, reduces the risk of spills and service interruptions, and is a key enabler for TasWater to meet its licence obligations.

## COMMUNITY ENGAGEMENT

Good community engagement is about providing a voice to those affected by our capitals works programs, infrastructure issues, or changes in service and policy. Our programs meet international best practice standards and aim to deliver better outcomes through a combination of face to face meetings, phone calls, community meetings, emails, letters, traditional media, social media and our dedicated YourSay website.

During the year we facilitated 36 community meetings across the state as part of approximately 30 ongoing TasWater capital works projects, including:

- ▶ Regional Towns Water Supply Program - which involves removing PHAs from 28 regional towns by August 2018
- ▶ Blackmans Bay STP and proposed pipeline route - part of the Kingborough Sewerage Strategy
- ▶ Gretna, Glenora and Bushy Park - which involved meeting with residents to discuss whether they wanted to receive water that meets Australian Drinking Water Guidelines via the system being constructed at Gretna (with the majority of residents voting to go ahead).

## CASE STUDY: COMMUNITY ENGAGEMENT

### MALCOLM GRASKE GEORGE TOWN RESIDENT

TasWater recently completed an upgrade of the sewage pump station off The Strand in George Town to help minimise the risk of sewage flows entering sensitive receiving waters.

The original pump station was immediately in front of Mr Graske's property, and during the upgrade TasWater staff liaised with Mr Graske and other nearby residents to minimise the visual impact of the upgraded infrastructure.

*The new sewage pump station in front of Mr Graske's property.*



Our people have had a significant level of engagement with residents over the past two years and a number of changes were made to the above-ground components of the original design. These included the installation of a special bollard instead of a vent pole and the use of grass-covered pavers instead of bitumen sealing.

"The TasWater engineers listened to residents and were responsive to our concerns," Mr Graske says. "Everyone's goal was to achieve the most favourable aesthetic result, within the constraints of the job. We worked through things a step at a time and we had a better-than-average rapport with TasWater. Now that the job is finished, we're satisfied that a good result has been achieved."

# WATER AND ENVIRONMENT

## PROVIDING SAFE DRINKING WATER AND SEWERAGE SERVICES

**02:00**  
TASWATER ON-CALL CREWS ARE MOBILISED AND ON SITE REPAIRING A BURST WATER MAIN WITHIN 60 MINUTES OF NOTIFICATION

**2AM**  
A VISITOR TO SCAMANDER IS UP LATE GETTING A DRINK OF CLEAN, SAFE WATER STRAIGHT FROM THE TAP



To ensure water is safe and clean TasWater performs more than 180,000 compliance tests every year – approximately 129,000 water compliance and 51,000 for effluent compliance. The results of our water tests are published each year in the TasWater Annual Water Quality Report.

### DRINKING WATER QUALITY

TasWater engaged in a wide variety of initiatives to improve the quality of the drinking water we supplied to our customers during the financial year:

- ▶ Planning the roll-out of our Regional Towns Water Supply Program, which sees TasWater committing to the removal of PHAs from all those Tasmanian towns affected by BWA or DNC notices
- ▶ Optimisation of WTPs to maximise operational efficiency, including increased removal of taste and odour compounds at Bryn Estyn near New Norfolk
- ▶ Increased real-time monitoring of WTPs to ensure we are providing high quality water to our customers

- ▶ Establishment of a Water Systems Optimisation Team to accelerate improvements in water quality and reduce public health risks
- ▶ Program to reduce the number of *E. coli* detections, resulting in a 67 per cent reduction
- ▶ Conducting catchment assessments to assess risk across our 70 drinking water catchments
- ▶ Participating in the Lake Trevallyn Algal Bloom Monitoring Program (in partnership with NRM North, Hydro Tasmania, West Tamar Council, Meander Valley Council and the Institute for Marine and Antarctic Studies Launceston) to enable early response to algal activity in Lake Trevallyn to minimise health and aesthetic issues.

Additionally, TasWater's Barrington WTP was awarded Best Tap Water in Australia in October 2016 by the WIOA.

## SIGNIFICANT INFRASTRUCTURE IMPROVEMENTS

- ▶ Ringarooma Valley Water Scheme:
  - Construction of the Ringarooma WTP started in November 2015, and was completed in April 2017. The plant has been supplying treated water to the five connected townships (Ringarooma, Legerwood, Branxholm, Derby and Winnaleah) since May 2017. PHAs in this five-town system are due to be lifted in the first quarter of the 2017-18 financial year
  - The pipeline from Derby to Winnaleah commenced in October 2016, and was completed in February 2017 (pipelines from Ringarooma WTP to Ringarooma, Legerwood, Branxholm and Derby were previously completed in December 2015)
- ▶ Construction of the Rosebery WTP commenced in January 2016, and was ongoing during the 2016-17 financial year. The plant is due for completion in early 2018
- ▶ A new WTP was completed at Whitemark in August 2016. Treated water was made available to the town in September 2016, and the DNC lifted in November 2016
- ▶ After significant upgrades and testing at Scamander's WTP and associated infrastructure, the BWA for the town was lifted in November 2016
- ▶ Lady Barron WTP was completed and functioning, including testing, commissioning and Proof of Performance testing in August 2016. Treated water has been available to Lady Barron township since mid-August 2016, with the BWA due to be lifted in late July 2017

- ▶ Construction of a pipeline to transfer water from the Fingal WTP to Avoca was completed in March 2017. Water sampling commenced at the same time, with Avoca's DNC due to be lifted in the first quarter of 2017-18
- ▶ The new WTP was completed at Mole Creek in November 2016, including commissioning and Proof of Performance testing. TasWater undertook reticulation network improvements in early 2017 and has been supplying treated water to Mole Creek since February, with chlorinated water introduced in April. Mole Creek's BWA is due to be lifted in July 2017
- ▶ In April 2017 the new pipeline between Gretna and Bushy Park commenced construction, and is scheduled to be completed in September 2017
- ▶ The King Island water pipeline project started construction in May 2017, and forms part of the larger King Island Water Infrastructure Project, which is anticipated for completion in late 2018.

## ENVIRONMENTAL COMPLIANCE AND IMPACT

*Nicholas Lovegrove, Regional Water Services Operator, sampling water in Legerwood.*



During 2016-17 we have been working with the EPA on a combined approach to improve our environmental performance. In December 2016 we signed a Memorandum of Understanding (MoU) with the EPA that outlines an agreed approach for the next three years. Key actions under this MoU are:

- ▶ **Big 13** - To improve our environmental compliance KPI from 45 per cent to 65 per cent volume compliance by the end of 2019. This action focuses on improving compliance in the 13 statewide STPs that collectively treat approximately 70 per cent of Tasmania's sewage volume
- ▶ **Top 20** - To reduce significant risks, the focus was on four key areas of environment risk (pathogens, toxicants, nutrients and odour) at 20 sites. Risk assessments for these key areas have been completed and agreed actions identified.

To progress these actions we have established a Sewer System Optimisation Team, comprised of scientists, process engineers and operational staff. The team will deliver the above Big 13 and Top 20 MoU projects and identify other actions to achieve rapid improvement in our performance. These projects will be given a high priority for completion in the three year period.

## ENVIRONMENTAL REPORTING

We report to the EPA annually on our performance with respect to wastewater and environmental management through the production of annual environmental reports.

TasWater owns and operates 79 Level 2 STPs licensed under the EPA, and 34 Level 1 STPs licensed by local councils. The 13 largest by volume of the Level 2 STPs now undertake weekly compliance sampling to see greater gains in compliance and track performance.

Key details reported during 2016-17 include:

- ▶ Effluent volume fully compliant with Level 2 licence discharge limits increased to 50 per cent (from 44 per cent in 2015-16)
- ▶ Compliance of effluent parameters tested increased to 86 per cent (from 84 per cent in 2015-16)
- ▶ Volume of effluent reuse decreased to nine per cent (from 10 per cent in 2015-16)
- ▶ The majority of biosolids also continue to be sent for beneficial reuse, with less than 0.2 per cent sent to landfill.

TasWater received two Environmental Infringement Notices during the 2016-17 financial year from the EPA, totalling \$1,570 in fines. Both were issued on 30 June 2017 and consisted of two breaches at construction works for the new outfall in to the Meander River. The works were found to be in contravention of conditions CN1 and CN2 of the applicable permits (PA/15/0110 and 9233) relating to section 51(b) of the *Environmental Management and Pollution Control Act 1994*. The breaches arose from:

- ▶ Failure to submit a Construction Environmental Management Plan (CEMP) in advance of commencing the construction works to establish a new discharge outfall into the Meander River, and failing to adequately address prescribed environmental management criteria in the CEMP once submitted – breach of CN1
- ▶ Failing to notify the EPA prior to construction commencing – breach of CN2.

To avoid further events of this nature, TasWater is focusing on improving the internal governance processes of all infrastructure projects. These improvement initiatives include:

- ▶ The refinement of project management plans, with particular attention to EPA requirements such as the need for a CEMP
- ▶ Continuing refresher training
- ▶ Augmenting the current internal audit program.

## CASE STUDY: DERWENT ESTUARY PROGRAM

### CHRISTINE COUGHANOWR, DERWENT ESTUARY PROGRAM

The Derwent Estuary Program (DEP) works in collaboration with state and local governments, commercial and industrial organisations, and a range of community groups, with the aim of monitoring, protecting and enhancing the quality and values of the River Derwent, from its upper reaches to the sea.

TasWater is a major partner and sponsor, liaising with the Derwent Estuary Program in support of its varied initiatives to reduce water pollution, conserve habitats and species, monitor river health and promote greater use and enjoyment of the foreshore.

*DEP staff processing samples in the field.*

Director Christine Coughanowr says that TasWater and the DEP have recently been working together on catchment monitoring of the Derwent above TasWater's Bryn Estyn water treatment plant, upriver from New Norfolk.



"The River Derwent is the source of the majority of Hobart's drinking water," Ms Coughanowr says. "In 2016 we began a new 12 month monitoring program of water quality in the river, working closely with TasWater as well as Hydro Tasmania and NRM South, sampling water quality in the Derwent and tributaries at a variety of sites above Bryn Estyn," Ms Coughanowr says.

A previous study in 2011 had identified higher nutrient levels in the water. The ongoing monitoring in the new program will help inform best-practice management to mitigate pollution.

TasWater fully supports cooperative monitoring programs that enable a whole-of-catchment picture to emerge, improving opportunities to manage the issues that affect river water quality.

# OUR PEOPLE AND CULTURE

## BUILDING CULTURE FOR THE LONG TERM



**CHILDREN ACROSS TASMANIA ARE HEADING HOME FROM SCHOOL**

**3PM**

**15:00**

**SENIOR TASWATER STAFF ARE PASSING ON SKILLS AND KNOWLEDGE ESSENTIAL FOR A SUSTAINABLE WATER AND SEWERAGE INDUSTRY NOW AND FOR FUTURE GENERATIONS.**

**At TasWater we believe that opportunities for professional development are essential for attracting and retaining the best employees.**

**We offer a range of nationally recognised mentoring and training opportunities right across the business, increasing expertise and capability within our state.**

### **IMPROVING SAFETY**

Every employee has the right to return home safely at the end of their working day. At TasWater we have the long-term goal of achieving zero harm and protecting the health and wellbeing of all our people. Over the last 12 months we have continued to embed the ideas, beliefs and practices within our organisation that will help us ensure that safety is a long term, prominent part of our culture.

### **SAFETY PERFORMANCE**

In 2016-17, the rolling Lost Time Injury Frequency Rate (LTIFR) was 3.8, which is a 22 per cent decrease compared to the 2015-16 result of 4.9. This shows a decreasing trend as compared to last financial year, and comes in under the Corporate Plan LTIFR target of no more than four (4.0).

The Total Recordable Injury Frequency Rate (TRIFR) was 13.7, an 11 per cent decrease from 15.4 per cent (2015-16), and falling under our Corporate Plan target of no more than 15. The number of regulatory reportable safety incidents decreased from seven in 2015-16, to a total of five by the close of the 2016-17 financial year.

## RECOGNITION AND REWARD

Key to achieving sustainable improvements in TasWater's safety culture and performance is providing consistent recognition and reward for positive behaviours.

### TASMANIAN WORKSAFE AWARDS 2016

The WorkSafe Tasmania Awards recognise Tasmanian businesses, organisations and individuals who lead the way in work health and safety, health and wellbeing, and return to work.

*Martin Judd and Nigel Cure accepting their WorkSafe awards.*

In 2016-17, TasWater submitted entries into five categories with two achieving first place and another two being recognised as finalists:



- ▶ Health and Safety Representative of the Year Award – Nigel Cure, Remote Networks
- ▶ Best Individual Contribution to Work Health and Safety Award – Martin Judd, Health and Safety Service Delivery (North)
- ▶ Best Solution to a Work Health and Safety Issue Award (finalist) – Darren Lord, Hypochlorite Handling System
- ▶ Best Work Health and Safety Management System Award (finalist)– TasWater Fatal Risk Program.

## ZERO HARM

Two key initiatives in our Zero Harm suite of health and safety programs were progressed over the 2016-17 financial year:

### 1. Contractor Safety Management Program

As the TasWater capital program grows we have introduced a comprehensive contractor management program, to safeguard the workers engaged by our contractors and ensure they have safety standards equivalent to those enjoyed by TasWater employees. Further, that this program aims to ensure that contractors and TasWater are meeting their obligations the *Work Health and Safety Act 2012*.

### 2. Fatality Risk Reduction Program

The TasWater Fatality Risk Reduction Works Program continued to focus on reducing the top three safety risks for the business - electricity, vehicles and mobile plant, and unauthorised access.

### Electricity

The Electrical Safety Improvement Program saw all remaining sites in phase two of the electrical remedial works completed in financial year. The Electrical Safety Committee has:

- ▶ Developed a TasWater standard for working on or near low voltage equipment referencing all appropriate legislation and industry standards in consultation with TasNetworks
- ▶ Conducted a pilot program of isolation from all forms of energy (including electrical) at Ti Tree Bend STP, Pumping North and Blackmans Bay STP.

### Vehicles and mobile plant

We completed an audit of the TasWater fleet, including vehicles, trucks and trailers. Statutory deficiencies were immediately rectified and long term solutions for vehicle improvements were identified. All outcomes have been incorporated into the Fleet Management Review Project currently underway.

### Unauthorised Access

The Fencing Upgrade Program saw the completion of 19 sites across the state during the 2016-17 financial year. The program was created after a number of incidents involving unauthorised public access to TasWater sites, and has upgraded 64 sites since it commenced in 2015-16.

## BUILDING CAPABILITY

TasWater is dedicated to ensuring we have skilled people who can deliver on our commitment to our customers. The business also makes increasing capability within the state a key priority - to ensure we have the skills, knowledge and technical expertise to ensure a long term, sustainable water and sewerage sector that supports our economy. To meet these commitments the organisation has a diverse range of programs and initiatives open to our employees.

### Project Management Capability

Building on the success of the inaugural Project Management Capability Development Program, TasWater has embarked on a second round in 2016-17.

The program involves four workshops spread over two days across the state, with participants working on real TasWater projects to build a common base of skills, knowledge and expertise in project management across all areas of the business.

To date, 71 employees have successfully completed Certificate IV in Project Management, with 48 at the Diploma level.

### TasWater Internship Program

Eight students across both engineering and corporate disciplines have been employed at TasWater over the summer university vacation period in our Internship Program. Mentored by experienced senior professionals, the students gained valuable workplace experience.

### TasWater Graduate Development Program

TasWater has signed up with Engineers Australia to become a Professional Development Program (PDP) partner, where we support our graduates to become Chartered Engineers, increasing skills and qualifications within the state.



*Intern Jak Murphy with Project Manager Stephen Dadswell.*

### Water Treatment Traineeship Program

This program focuses on developing the capability of our water operators and is critical in developing a highly technical, skilled Tasmanian workforce now and for the future. This program provides employment and career opportunities in regional and remote areas of Tasmania. 20 trainees (new and existing employees) of all ages from all over the state commenced this key program during the financial year.

## People Leaders' Forum

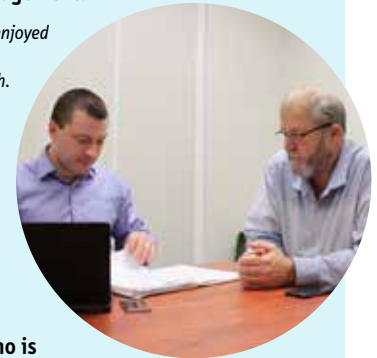
Our inaugural People Leaders' Forum was held in Launceston in December 2016, which consisted of all people leaders across the organisation coming together for the first time.

## CASE STUDY: PEOPLE AND CULTURE

### GENESIS MEIR-ANDERSON, TASWATER

Genesis joined TasWater in 2006 as an apprentice plumber. During the past 11 years, as well as completing his plumbing apprenticeship, he has continued a successful program of training with us, achieving his Certificate II in Business Systems, Certificate II in Construction, Certificate III in Water Operations and most recently, a Certificate IV and Diploma in Project Management.

*Genesis Meir-Anderson has enjoyed working closely with Senior Project Manager Randal Muth.*



His experience with TasWater is clear proof of the positive impact that ongoing training can have on the career path of a keen and highly-motivated employee who is seeking to further his career.

TasWater has provided ongoing support to Genesis, assisting him to make the move from our outdoor workforce in the Service Delivery area to be now working alongside TasWater Project Managers in our Asset Portfolio, Planning and Delivery Division.

"The training I have completed has changed my life," he says. "After starting out as a plumber, I am now off the tools and well on the way to building a long-term career pathway with TasWater, consolidating my learning by spending time on the job receiving mentoring support from some very experienced project managers."

# COMMERCIAL AND ECONOMIC

PROVIDING AFFORDABLE, POSITIVE,  
AND SUSTAINABLE SERVICE



**RESTAURANTS  
BEGIN ORGANISING  
THEIR EVENING  
MENUS, PREPARING  
LOCAL PRODUCE  
AND TASMANIAN  
SEAFOOD**

**4PM**

**16:00**

**TASWATER STAFF ARE SAMPLING  
WATERWAYS, INLETS AND STREAMS ENSURING  
WE MEET THE HIGH STANDARDS NECESSARY TO  
SUPPORT THE ECONOMY AND LIFESTYLE OF OUR  
ISLAND STATE.**

**In addition to compliance testing, TasWater carries out extensive operational testing of inlets, raw water, groundwater, and other ambient water to gauge the environmental impact of our operations.**

## **PRODUCTIVITY IMPROVEMENT**

TasWater's Productivity Improvement Program ramped up from 1 July 2016, with the focus on keeping our customers' bills affordable.

TasWater is always seeking better ways to operate, and this is reflected in the more than \$10 million of savings that have been achieved since we were established in 2013. However during the year in review we have also increased efforts to boost productivity and savings, ensuring we remain efficient and sustainable into the future.



This financial year we have delivered \$3.8 million in operational cost reduction and \$3.3 million in revenue enhancements, which has enabled us to work with the regulator to ensure our customers' bills remain affordable. The key projects that have supported this outcome are:

Initiative	FY 2016-17 Savings	FY 2017-18 Budgeted	Comment
Laboratory Review	\$0.6M	\$0.4M	Consolidation of our laboratory services and new contract for external testing
Centre-led Procurement	\$0.3M	\$1.7M	Improving the way we purchase our goods and services
Service Delivery Rapid Review	\$0.8M	\$3.5M	Reviewing what we do and how we deliver it
Power Cost Efficiencies	\$1.1M	\$0.0M	Reviewing our tariff and bills to ensure we are getting value for money
Revenue Enhancement	\$3.3M	\$1.0M	Continuing to review our customer data to ensure accuracy in billing data

The team is committed to delivering \$21 million in savings by the end of our 10-year plan and we will continue to focus on where we can add value and enhance performance.

## RISK MANAGEMENT

In late 2015 Deloitte undertook a project to assess the maturity and performance of TasWater's risk management framework in the context of better practice and peer organisations as part of the 2015-16 Annual Internal Audit Plan.

*Cherie Woolley and Louise Lieschke undertaking training at TasWater's Customer Service Centre, which supports TasWater customers 24 hours a day, 365 days a year.*



*Guy Kearnes, Water Services Operator, sampling at the Smithton Sewage Treatment Plant.*

The objective for the project was to provide an enhanced understanding of the current state of our risk management maturity and to identify a desired target state, along with gaining insights into contemporary industry-based better practice. The risk management maturity of the four prior corporations was assessed in 2011 and this has been used as the baseline to assess progress since.

The TasWater Board re-assessed strategic risks and identified the top five as being:

- 1. Water quality and public health risk**  
TasWater may provide unsafe drinking water resulting in a serious public health incident and/or impact on the Tasmanian economy
- 2. Worker and public safety risk**  
Employees, contractors or members of the public may be seriously injured or killed due to TasWater work practices or exposure to serious hazards at our workplaces
- 3. Environmental and third party risk**  
Sewerage system processes, infrastructure failures or other routine business activities may result in serious or material environmental harm, impact on third parties and/or have adverse reputational or regulatory impacts
- 4. Asset failure risk**  
Critical assets may fail due to the age of the assets and/or inadequate asset management, including dam failure (excluding failures resulting in environmental harm)
- 5. Business continuity risk**  
TasWater may be unable to adequately respond to and provide service continuity after an incident such as a bushfire, failure of critical infrastructure, process or a severe weather event.

## MEETING THE CHALLENGE

In response to these risks, TasWater regularly reviews our Risk Management Plan and conducts emergency management exercises. In the past year we have:

- ▶ Formally trained 19 staff members as incident controllers
- ▶ Developed, improved and implemented plans to reduce the likelihood and impacts of incidents such as drinking water contamination, sewer spills, floods and storms, bushfires, and dam emergencies
- ▶ Conducted a number of major scenario-based emergency exercises to practise and improve our ability to manage incidents using the Australasian Inter-Service Incident Management System (AIIMS)
- ▶ Actively participated in regional, state and national emergency planning committees to build stronger relationships with emergency services, local government, government agencies and other critical infrastructure providers
- ▶ Declared, responded to and managed a large number of events ranging from *E. coli* detections in the water supply, sewer odours and spills, incidents with potential significant reputational impact and IT/communications outages.

*Mark Abela and Craig Wills participating in emergency response training.*



## CASE STUDY: COMMERCIAL AND ECONOMIC PERFORMANCE

### DAN RODEN, CHAIRMAN, OYSTERS TASMANIA

Dan Roden, Chairman of Oysters Tasmania, acknowledges that the relationship between the industry and Tasmania's water and sewerage utilities hasn't always been smooth in the past.

However he is pleased to report that things have changed for the better over the past year, with TasWater investing considerable funds to mitigate the impact of spills into sensitive waters around the state.

"Oysters Tasmania has collaborated with TasWater to identify those areas most at risk from spills, which occasionally occur after periods of heavy rainfall," Mr Roden says. "In a series of well-attended meetings with growers, TasWater listened to our concerns and explained their plans to increase capital expenditure and upgrade infrastructure in response to the industry's needs."

A good example of how TasWater customers benefit from our incident management process was the prompt response to the risk of a spill in Pittwater, an important oyster growing area affected by heavy rains in mid-2016.

"To prevent a spill, TasWater arranged to truck effluent from the Cambridge sewage treatment plant, which may not have been able to cope with the increased inflow, to TasWater's Rosny plant. A convoy of trucks worked around the clock until the risk was over, and no spillage occurred.

Implementing these measures resulted in four spills being prevented during 2016-17. As a single spill would generally result in 21 days where growers cannot market their product, TasWater effectively prevented 84 outage days for Tasmanian oyster growers.

"It proved that TasWater is not only acutely aware of the needs of our shellfish industry, but also ready to take action to support us," Mr Roden said.



# GOVERNANCE



**6PM**

**HOUSEHOLDS ARE LOOKING AT THEIR BUDGETS, PRIORITISING SPENDING BASED ON THEIR NEEDS AND AVAILABLE FINANCES**

**TASWATER IS DOING THE SAME, CAREFULLY BALANCING THE SPENDING NEEDED TO MEET OUR OBLIGATIONS WITH KEEPING CUSTOMER BILLS AS AFFORDABLE AS POSSIBLE.**

**18:00**

Tasmanians are benefiting from the highest investment per property on capital development of any water authority in Australia with \$104 million spent delivering 394 capital projects in 2016-17. At the same time Tasmanians enjoy some of the lowest prices in the country, with TasWater's bills being the lowest of any comparable water utility in Australia on a litre-for-litre basis.

## LEGISLATIVE AUTHORITY

The Tasmanian Water and Sewerage Corporation Pty Ltd, trading as TasWater, was established under the *Water and Sewerage Corporation Act 2012* (WSCA). It was incorporated on 5 February 2013 as a proprietary limited company under the *Corporations Act 2001*, owned in equal shares by the 29 Tasmanian councils. Its constitution was adopted on incorporation and ratified by the owners at a general meeting on 16 May 2013.

The WSCA prescribes our objectives as:

- ▶ To efficiently provide water and sewerage functions in Tasmania
- ▶ To encourage water conservation, the demand management of water and the re-use of water on an economic and commercial basis
- ▶ To be a successful business and, to this end:
  - Operate our activities in accordance with good commercial practice
  - To deliver sustainable returns to our members
  - To deliver water and sewerage services to customers in the most cost-efficient manner.

## PRINCIPAL ACTIVITIES

Our principal activities during 2016-17 were:

- ▶ Providing water and sewerage services for residential and commercial customers throughout Tasmania
- ▶ Undertaking maintenance, upgrading and development works on water and sewerage assets and preparing strategic development plans for the future.

## ROLE OF THE BOARD

The Board of Directors are responsible for the corporation's overall corporate governance. The Board performs this role by:

- ▶ Governing the corporation in accordance with the requirements of the WSCA, including meeting its objectives under that Act
- ▶ Providing entrepreneurial leadership of the corporation within a framework of prudent and effective controls which enable risks to be assessed and managed
- ▶ Setting the corporation's strategic aims, ensuring the necessary financial and human resources are in place for the corporation to meet its objectives and reviewing management performance
- ▶ Setting and monitoring strategic requirements for effective financial reporting and risk management
- ▶ Setting the corporation's values and standards and ensuring that its obligations to its shareholders and others are understood and met
- ▶ Appointing the Chief Executive Officer and monitoring performance
- ▶ Ensuring the corporation complies with its constitution as well as all applicable laws and relevant instruments, including the Shareholders' Letter of Expectations.

The Board has determined which matters it will manage exclusively, with the remainder delegated to the CEO and various officers within the corporation.

## CORPORATE GOVERNANCE FRAMEWORK

Corporate governance is the system by which the activities of the corporation are controlled and coordinated in order to achieve its desired outcomes.

TasWater has voluntarily adopted the ASX's *Corporate Governance Principles and Recommendations* (ASX Principles) as the basis for its corporate governance framework.

As it is not a publicly listed company, not all of the ASX Principles are relevant and in some areas TasWater's governing legislation, context and structure preclude it from complying with those principles. Where this occurs, TasWater has sought to recognise the intent of the ASX Principles in its policies and practices, while remaining compliant with its obligations under other applicable instruments.

The WSCA mandates other specific governance features, including the composition of the Board, rights and responsibilities of our owner councils, and formally displaces specific sections of the *Corporations Act 2001*. In most other ways, the Board's powers, obligations, rights and responsibilities are similar to those of other privately-owned, large proprietary limited companies.

A summary of our compliance with the ASX Principles is included later in this section.

*TasWater Board 2016-17: Ms Sally Darke, Mr Nick Burrows, Mr Peter Lewinsky, Mr Miles Hampton, Ms Sibylle Krieger, Dr Helen Locher, and Mr Tony Kelly.*



## BOARD STRUCTURE

The WSCA prescribes the composition of TasWater's Board. All Directors, including the Chairman, are non-executive and independent in terms of their external relationships with the corporation.



**Chairman: Mr Miles Hampton, B.Ec (Hons),  
FCPA, FCIS, FAICD**

*Appointed: 1 February 2013*

*Reappointed: 1 February 2015*

Mr Hampton was the Chairman of Southern Water, Ben Lomond Water, Cradle Mountain Water and Onstream from 2011-13 and a director of all four entities from 2008.

He was previously Chairman of the bulk water authority, Hobart Water, from 2005-2009.

Mr Hampton is a former member of the Tasmanian Planning Commission and the Infrastructure Advisory Council.

Mr Hampton is currently Chairman of MyState Limited.

For more than 20 years, Mr Hampton was the Managing Director of ASX-listed agribusiness Roberts Limited until his resignation in 2006.

He has been a Director of Australian Pharmaceutical Industries Ltd, The Van Diemen's Land Company, Forestry Tasmania, Impact Fertilisers Pty Ltd, Ruralco Holdings Ltd and Money3 Corporation Ltd.



**Nick Burrows, B.Com, FAICD, FCA, FGIA,  
FTIA, F Fin**

*Appointed: 26 March 2015*

*Reappointed: 1 March 2017*

Mr Burrows is currently Chairman of TasTAFE, and a member of the boards of Australian Seafood Industries Pty Ltd, Clean Seas Tuna Ltd, Metro Tasmania Pty Ltd, and Peloton Global Pty Ltd. He also acts as an independent adviser to a number of other boards and committees.

Prior to the restructure of the Tasmanian water and sewerage corporations, he was a Director of Southern Water from 2011-2013.

Mr Burrows has over 30 years' commercial experience in Tasmania's public, government and local government sectors focusing on corporate governance and strategic, commercial, financial and risk management oversight, underpinned by his background as a chartered accountant and registered company auditor.



**Sally Darke, B.Ec, FAICD**  
*Appointed: 1 January 2016*

Ms Darke is currently Chairperson of the Tasmanian Community Fund, Chairperson of the Scotch Oakburn College, and Non Executive Director of TasPorts. She is also past Chairperson, Director and advisor to the Board of B&E Ltd.

Ms Darke has more than 25 years of experience in human resources and corporate governance in the financial, infrastructure, education, sporting and community sectors with an emphasis on regulated industries. For 10 years she was also a Director in the advisory practice of KPMG.



**Vincent (Tony) Kelly, CPEng, Dip Civ Eng, MAICD**  
*Appointed: 1 March 2016*

Mr Kelly has in excess of 40 years' experience in the water industry and was previously Managing Director of Yarra Valley Water (2003-2014). He is an Adjunct Professor at the University of Technology Sydney and a member of the board of WaterLinks. In addition, he has held numerous positions on water industry and

not-for-profit bodies, including Chairman of WaterAid Australia, the Savewater Alliance and the Victorian Water Industry Association's Sustainability Taskforce.

Tony has recently provided advice to the Victorian state government on water policy and to utilities on long term water supply security.



**Sibylle Krieger, LLB (Hons), LLM, MBA, FAICD**  
*Appointed: 1 March 2013*  
*Reappointed: 1 March 2015*

Ms Krieger has over 35 years of broad commercial experience as a lawyer, economic regulator and non-executive director. She was a partner in two large commercial law firms for 22 years.

Ms Krieger spent six years as a tribunal member of the principal New South Wales economic regulator (IPART) which deals with a wide range of regulated sectors, including water. She is currently Chair of Xenith IP Group Limited (ASX:XIP), a director of MyState Limited (ASX:MYS), a director of the Australian Energy Markets Operator Limited (AEMO), a trustee of Sydney Grammar School and a director of its Foundation. She was formerly a director of Sydney Ports Corporation and Allconnex Water and a Trustee of the Royal Botanic Gardens and Domain Trust in Sydney.

In addition Ms Krieger serves as a member of the Energy Security Taskforce established by the Tasmanian Minister for Energy in June 2016 following an energy crisis in Tasmania caused by a combination of drought and the prolonged failure of Basslink.



**Peter Lewinsky, B.Ec, MBA, FCA, FAICD, SF FinSia**

*Appointed: 1 March 2013*

*Reappointed: 1 March 2014*

*Reappointed: 1 March 2017*

Mr Lewinsky is currently Chair of Holmesglen Institute, TAL Superannuation Ltd, and the Australian Centre for the Moving Image. He is also a member of the board of Ambulance Victoria, and of various government audit committees.

Mr Lewinsky has conducted his private consulting practice since 1991 and has extensive experience in governance, strategic planning, organisational change, financial management and risk management. He is also an honorary board member of the Emmy Monash Home for the Aged.



**Dr Helen Locher, B.Sc., M.Env.Sc., PhD (Civil Engineering), GAICD**

*Appointed: 1 March 2016*

Dr Locher has in excess of 25 years' experience in working both within Australia and overseas on environmental, social and sustainability issues, with a particular focus around water resource management and sustainable regional development.

She is a member of the Resource Management and Planning Appeals Tribunal and has previously held Board roles on the Environment Protection Authority and the former Resource Planning and Development Commission.

## DIRECTORS' MEETING ATTENDANCE 2016-17<sup>1</sup>

	Board		Audit & Risk Committee (AAR)		Capital Works Committee (CWC)		Environment & Public Health Committee (EPH)	
	Eligible	Attended	Eligible	Attended+	Eligible	Attended+	Eligible	Attended+
Miles Hampton (Board Chair)	13	12	-	2+	-	4+	-	4+
Nick Burrows (AAR Chair)	13	13	4	4	-	4+	4	4
Sally Darke	13	11	4	4	-	4+	4	3
Vincent (Tony) Kelly	13	13	4	3	4	4	-	3+
Sibylle Krieger (EPH Chair)	13	11	-	1+	4	4	4	4
Peter Lewinsky (CWC Chair)	13	10	4	3	4	4	-	3+
Dr Helen Locher	13	12	-	4+	4	4	4	4

<sup>1</sup> Does not include matters dealt with by circular resolution at either committee or board level

+ Denotes attendance by Directors who are not members of the relevant Board Committee

## AUDIT AND RISK COMMITTEE

TasWater's Audit and Risk Committee (AAR) comprises four independent Directors. The committee is chaired by Mr Nick Burrows and met four times during the year.

The Board has approved the committee's charter, which is reviewed annually. Under the charter, the committee assists the Board by reviewing, monitoring and overseeing matters relating to external reporting, risk management and internal controls, external and internal audit functions and compliance with all legislative and regulatory obligations.

The committee approves the strategic internal audit plan to ensure planned audit activities are aligned to key business risks. Internal audit reports are provided to the Audit and Risk Committee at scheduled meetings.

During 2016-17, the committee considered a number of matters including financial and accounting policies, compliance and risk management. The committee also oversaw delivery of a comprehensive internal audit program designed to inform the Board and management on key business and control risks.

The committee has ongoing communication with external and internal auditors.

See page 40 for the Auditor's Independence Declaration.

## CAPITAL WORKS COMMITTEE

The Capital Works Committee (CWC) comprises four independent Directors. It is chaired by Mr Peter Lewinsky. The Committee met four times during the year.

In accordance with its charter approved by the Board, CWC assists the Board by reviewing, monitoring and overseeing matters relating to strategic asset management and capital investment activities. Its major focus in 2016-17 was to:

- ▶ Review and recommend to the Board for approval TasWater's policies and high-level frameworks for asset monitoring, capital planning, business case evaluation and approval and capital works delivery
- ▶ Review strategic asset assessments (including dam safety assessments)
- ▶ Review and recommend the three year rolling and annual capital works plans to the Board for approval

- ▶ Review and recommend major projects for Board approval
- ▶ Monitor and overview the implementation of the capital works program, the effectiveness of policies and processes and staff training and accountability relating to capital works planning and delivery.

## ENVIRONMENT AND PUBLIC HEALTH COMMITTEE

The Environment and Public Health (EPH) Committee comprises four independent Directors. It is chaired by Ms Sibylle Krieger. The Committee met four times during the year.

In accordance with its charter approved by the Board, EPH assisted the Board by reviewing, monitoring and overseeing matters relating to environmental management and compliance and public health performance and compliance.

Its major focus in 2016-17 was:

- ▶ Ongoing improvement in water quality, particularly in relation to developing system improvements for the removal of PHAs from regional towns
- ▶ Understanding the impacts of trade waste on TasWater's operations and stakeholder implications in moving toward contemporary trade waste management
- ▶ Understanding the impact of the business on the natural environment through increased scientific assessments of the impact of sewage treatment plants on receiving waters.

## THE BOARD SELECTION COMMITTEE

The Board Selection Committee is a committee of the Owners' Representatives Group. In accordance with TasWater's Constitution it comprises eight Owners' Representatives and the Board Chair. The committee's main function is to select and appoint Directors, ensure the skill mix of the Board is appropriate, evaluate Board and committee performance and maintain and implement the Board remuneration framework. The Board Selection Committee met once during the year.



## CORPORATE GOVERNANCE DISCLOSURE OBLIGATIONS

The following table summarises TasWater's compliance with ASX Principles. It provides the specific disclosures required where these are not included elsewhere in this Annual Report.

<b>Principle 1 – Lay solid foundations for management and oversight</b>	
<i>Companies should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.</i>	
The respective roles and responsibilities of TasWater's Board and management are disclosed.	✓
Those matters expressly reserved to the Board and those delegated to management are disclosed.	✓
TasWater undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a Director.	✓
TasWater provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	✓
TasWater has written agreements with each Director and senior executive setting out the terms of their appointment.	✓
The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	✓
TasWater has a Diversity Policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the progress in achieving them.	✓
The Board Selection Committee periodically evaluates the performance of the Board, its committees and individual Directors and discloses annually whether a performance evaluation was undertaken in the reporting period.	✓
TasWater has a process for periodically evaluating the performance of its senior executives and discloses annually whether a performance evaluation was undertaken in the reporting period in accordance with that process.	✓
<b>Principle 2 – Structure the Board to add value</b>	
<i>Companies should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</i>	
The process of recruiting Directors is undertaken by a Board Selection Committee in accordance with the WSCA, comprising representatives appointed by the Owners' Representatives in each of the three regions and the Board Chairman	⚠
The Board Selection Committee has a charter that is regularly reviewed	
Succession planning for the Board is managed by the Board Selection Committee in consultation with the Board Chairman.	
The Board Selection Committee has a skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	✓
The Board solely comprises independent Directors.	✓
Directors disclose any interests and the register of interests is reviewed at least annually.	✓
Directors undergo an induction program when appointed and appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their roles are provided.	✓
<b>Principle 3 – Act ethically and responsibly</b>	
<i>Companies should act ethically and responsibly.</i>	
The Board has a Directors' Code of Conduct and TasWater employees have a Code of Conduct.	✓
The codes of conduct applicable to Directors and employees are published on TasWater's website.	✓
The current profile of TasWater's Board and workforce is explained in this annual report.	✓
<b>Principle 4 – Safeguard integrity in corporate reporting</b>	
<i>Companies should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</i>	
The Board has an Audit and Risk Committee comprising four independent non-executive Directors.	✓
The Chair of the Audit and Risk Committee is an independent non-executive Director who is not the Board Chairman.	✓
The Audit and Risk Committee Charter is published on TasWater's website.	✓
The Directors' qualifications and experience are disclosed in this annual report.	✓
The Audit and Risk Committee meeting schedule is disclosed in this annual report.	✓
The CEO and General Manager Finance & Commercial Services provide declarations that the financial records are compliant with appropriate accounting standards and give a true and fair view of the financial position and performance of TasWater.	✓
The Auditor-General is invited to attend TasWater's Annual General Meeting.	✓
<b>Principle 5 – Make timely and balanced disclosure</b>	
<i>Companies should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</i>	
Our key governance documents prescribe quarterly meetings between the Chairman and Owners' Representatives, formal quarterly reporting of performance and other key matters and two General Meetings of Owners' Representatives each year.	✓
This is augmented by the Board's continuous disclosures policy encompassed in its Shareholders Relations Policy.	⚠
<b>Principle 6 – Respect the rights of shareholders</b>	
<i>Companies should respect the rights of its shareholders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</i>	
TasWater's key governance documents are published via the website.	✓
TasWater holds quarterly meetings and biannual general meetings with the Owners' Representatives.	✓
The Owners' Representatives receive quarterly reports.	✓
The Owners' Representatives general meetings and quarterly meetings provide forums for shareholders to communicate with TasWater.	✓
The Shareholder Relations Policy, Owners' Representatives Code of Conduct and Owners' Representatives Group's Charter facilitate effective communication between TasWater and the Owners' Representatives and are published on the TasWater website.	✓
Owners' Representatives and owner councils are able to receive communication from and provide communication to TasWater electronically.	✓

**Principle 7 – Recognise and manage risk**

*Companies should establish a sound risk management framework and periodically review the effectiveness of that framework.*

TasWater's Risk Management Framework has been established and undergoes periodic review.	✓
TasWater has an Audit and Risk Committee comprising four independent non-executive Directors, chaired by an independent non-executive Director that oversees risk.	✓
The Audit and Risk Committee Charter is published on the website.	✓
The number of Audit and Risk Committee meetings held and the Directors' attendance figures are disclosed in this annual report.	✓
The Audit and Risk Committee review the risk management framework at least annually.	✓
The internal audit arrangements are published in this annual report.	✓
Management provided its assurances and formal declarations to the Board regarding the status of risk management and internal control systems. Confirmation of this can be found in the Directors' Declaration accompanying the financial reports.	✓
The Board is informed of any material exposure to economic, environmental and social sustainability risks and how those risks are managed	✓

**Principle 8 – Remunerate fairly and responsibly**

*Companies should pay Director remuneration sufficient to attract and retain high quality Directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for shareholders.*

The Board holds responsibility for human resources and remuneration policies.	✓
The Board Charter is published on the website.	✓
Directors have taken advice from independent expert advisors as required. No remuneration advisors undertake other work for management.	✓
Under the enabling legislation, remuneration for Directors is the responsibility of Owners' Representatives and the Board Selection Committee. Disclosures in Principle 2 above explain the composition of the Board Selection Committee.	△
The Remuneration Report, incorporated in the Directors' Report, provides further detail on TasWater's remuneration policies.	✓
TasWater does not have an equity based remuneration scheme.	✘

✓ Complies

✘ Processes not compliant or not applicable

△ Principle adapted to meet TasWater's context but is consistent with the intent

**Public interest disclosures 2016-17**

The number and types of disclosures made to TasWater during the year and the number of disclosures determined to be a public interest disclosure.	1 <sup>1</sup>
The number of disclosures determined by TasWater to be public interest disclosures that it investigated during the year.	1
The number and type of disclosed matters referred to TasWater by the Ombudsman for investigation.	0
The number and type of disclosures referred by TasWater to the Ombudsman for investigation.	0
The number and type of investigations taken over from TasWater by the Ombudsman.	0
The number and type of disclosed matters that TasWater has declined to investigate.	0
The number and type of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation.	0
Any recommendations made by the Ombudsman that relate to TasWater.	0

<sup>1</sup> The disclosure related to alleged improper conduct

**Right to information requests 2016-17**

The number of applications for assessed disclosure made to TasWater.	20
The number of applications for assessed disclosure refused by TasWater and the basis for refusal.	1 <sup>1</sup>
The number of applications for assessed disclosure determined by TasWater.	17 <sup>2</sup>
The number of determinations where the information applied for was provided in full.	15 <sup>3</sup>
The number of applications for internal review and the outcome of those reviews.	3 <sup>4</sup>
The number of applications for external review and the outcome of those reviews.	1 <sup>5</sup>

<sup>1</sup> Section 17(1) – deferment of provision of information

<sup>2</sup> This includes applications received prior to 1 July 2016 which had not been responded to in the prior financial year

<sup>3</sup> In two instances, information containing the personal information of a third party was not provided

<sup>4</sup> One request for internal review was without grounds under the Act. One internal review was completed during the financial year, upholding the original decision. One additional request for an internal review was received but had not been completed prior to 30 June 2017

<sup>5</sup> The external review was resolved without review by the Ombudsman. TasWater's original decision was not overturned.

**Personal information protection complaints 2016-17**

The number of complaints relating to failure to protect personal information made to TasWater.	3 <sup>1</sup>
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<sup>1</sup> All complaints were satisfactorily resolved with the individuals concerned

# FINANCIAL REPORT

TASMANIAN WATER AND SEWERAGE  
CORPORATION PTY LTD

1 JULY 2016 TO 30 JUNE 2017



# DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The Directors of Tasmanian Water and Sewerage Corporation Pty Ltd, trading as TasWater (the Corporation), present the Financial Report of the Corporation for the financial year ended 30 June 2017. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

## LEGISLATIVE AUTHORITY

The *Water and Sewerage Corporation Act 2012* (WSCA) was given Royal Assent on 11 December 2012. The Act provided for the establishment and incorporation of the Corporation, and for the transfer of the assets, rights, liabilities, obligations and employees of the four corporations established under the *Water and Sewerage Corporations Act 2008* (trading as Ben Lomond Water, Cradle Mountain Water, Southern Water and Onstream) to the Corporation on 1 July 2013 following the cessation of the trading activities of these four corporations.

TasWater was formed on 5 February 2013 under the *Corporations Act 2001* and pursuant to the WSCA. It is governed by the Corporation's Constitution.

The principal objectives of the Corporation are as follows:

- A. To efficiently provide water and sewerage functions in Tasmania;
- B. To encourage water conservation, the demand management of water and the re-use of water on an economic and commercial basis;
- C. To be a successful business and, to this end:
  - i. To operate its activities in accordance with good commercial practice; and
  - ii. To deliver sustainable returns to its members; and
  - iii. To deliver water and sewerage services to customers in the most cost-efficient manner.

Each of the principal objectives of the Corporation is of equal importance.

## PRINCIPAL ACTIVITIES

The principal activities of the Corporation during the course of the financial year were:

- ▶ The sourcing, treatment and reliable delivery of quality drinking water to our customers; and
- ▶ The collection, transportation, treatment and safe return of wastewater to the environment.

## REVIEW OF OPERATIONS

The Corporation reported a profit after tax of \$28,591,573 for the year ended 30 June 2017 (2016: \$25,310,222).

A more detailed review of the Corporation's operations during the year is contained elsewhere in the Annual Report.

## **ENVIRONMENTAL REGULATIONS**

The Corporation's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Board has the responsibility to monitor compliance with environmental regulations. Apart from the failure of the majority of the Corporation's STPs to regularly comply with effluent discharge licences set by the EPA, and two minor fines received in June 2017, the Directors are not aware of any other significant breaches during 2016-17. The Corporation is implementing a Wastewater Management Plan agreed with the EPA and monitored by the Board, that outlines initiatives and implementation schedules to address the Environmental Regulator's priorities with respect to these non-compliances.

## **DRINKING WATER SYSTEMS**

The Board has the responsibility to monitor compliance with drinking water regulations. The Directors are not aware of significant breaches during the year covered by the report, in terms of new Boiled Water Alerts issued by the Health Regulator. The majority of the Corporation's drinking water systems comply with the health guideline values contained in the Australian Drinking Water Guidelines (2011) as specified in the Tasmanian Drinking Water Quality Guidelines. The Corporation is implementing a Drinking Water Quality Management Plan agreed with the Department of Health and Human Services and monitored by the Board, that outlines initiatives and implementation schedules to address the non-compliant systems.

## **DAM PORTFOLIO**

The Corporation manages its dams using a Dam Portfolio Risk Assessment process, in accordance with the Australian National Council on Large Dams (ANCOLD) Dam Safety Management Guidelines 2003. The Directors are not aware of any new breaches during the year covered by the report. Dams that are known to exceed these guidelines are being managed under mitigation plans agreed with the Tasmanian Dam Safety Regulator and monitored by the Board. An annual report is provided to the Dam Safety Regulator regarding the status of all dams with a rating of significant hazard or above and sets out the program of works for the following financial year. The Corporation has an obligation to immediately advise the Regulator of adverse developments in dam status.

## **DIVIDENDS**

On 28 February 2017 the Board of the Corporation approved the payment of an interim dividend of \$7,496,372 (2016: \$7,341,988). This interim dividend was paid on 28 February 2017.

On 28 June 2017 the Board approved the payment of a further dividend of \$11,960,171 (2016: \$12,990,468), which was paid on 30 June 2017.

## **EVENTS AFTER BALANCE DATE**

There have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect the Corporation, its operations, results of operations or state of affairs in the reporting period.

## **LIKELY FUTURE DEVELOPMENTS**

In February 2017, the State Government announced its intention to take over the Corporation, with the claim that water and sewerage services in Tasmania are in crisis. They propose to create a new government business enterprise to commence operations from 1 July 2018.

Additional information on other likely future developments in the operations of the Corporation is included in the Chairman's Report and CEO's Report within the Annual Report.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

### Remuneration Report

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Corporation's Directors and its senior executives for the financial year ended 30 June 2017. The prescribed details for each person covered by this report are detailed below under the following headings:

- ▶ Director and senior executive details
- ▶ Remuneration policy
- ▶ Relationship between the remuneration policy and the Corporation's performance
- ▶ Remuneration of Directors and senior executives
- ▶ Key terms of employment contracts.

### Director and Senior Executive Details

The following persons acted as Directors of the Corporation during or since the end of the financial year:

- ▶ Mr Miles Hampton (Chair)
- ▶ Mr Nick Burrows
- ▶ Ms Sibylle Krieger
- ▶ Mr Peter Lewinsky
- ▶ Ms Sally Darke
- ▶ Mr Vincent (Tony) Kelly
- ▶ Dr Helen Locher.

Except as noted, the named Directors held their current positions for the whole of the financial year and since the end of the financial year.

Other details regarding Directors and their attendance at board meetings and relevant committee meetings are provided elsewhere within the Annual Report.

The term 'senior executive' is used in this remuneration report to refer to the following persons:

Senior executive	Title	Commencement	End Date
Mr Michael Brewster	Chief Executive Officer	1/7/13	
Mr Dean Page	General Manager Finance and Commercial Services Acting General Manager Retail and Customer Services	19/8/13 27/3/17	26/3/17
Ms Cathy Cuthbertson	General Manager People and Safety	9/9/13	
Mr Andrew Moir	General Manager Asset and Product Management	2/9/13	
Dr Dharma Dharmabalan	General Manager Works and Delivery	30/9/13	
Mr Glen Jameson	General Manager Operations and Maintenance	9/9/13	28/7/16
Ms Eleanor Bray	General Manager Retail and Customer Services	23/9/13	24/3/17
Ms Ailsa Sypkes	General Manager Legal and Governance	28/4/14	
Ms Juliet Mercer	General Manager Corporate and Community Relations	22/8/16	
Mr Benny Smith	General Manager Service Delivery	5/12/16	
Mr Tony Willmott	Acting General Manager Service Delivery	18/7/16	2/12/16
Mr Jason Browne	Acting General Manager Finance and Commercial Services	27/3/17	

Except as noted, each of the senior executives named held their positions for the whole of the financial year.

### Remuneration Policy

#### *Senior executives' remuneration*

The Board has approved a remuneration framework that was developed after advice from independent remuneration specialists, and benchmarked nationally. The framework applies to senior executives, line managers and specific professional or expert positions and the CEO is obliged to work within its parameters.

The remuneration of senior executives is based on Total Employment Cost to the Corporation. Components of remuneration can include cash and non-cash alternatives as well as any fringe benefits tax incurred. No equity-based components are offered as part of any remuneration.

#### *Non-executive Directors' remuneration*

Under the WSCA, the statewide Owners' Representative Group (ORG) is responsible for determining the remuneration framework for non-executive Directors. The Selection Committee of the ORG makes its determination of the remuneration framework based on the recommendation of the Selection Committee, as described in the Constitution. The Selection Committee is then responsible for determining the remuneration for each director within the parameters of that framework.

Non-executive Directors are remunerated by way of fixed fees and superannuation payments as required by legislation. No other leave, termination or retirement benefits are accrued or paid to Directors.

Directors are also entitled to reimbursement of expenses incurred while attending to Corporation business.

Non-executive Directors' remuneration was reviewed in the period and increased by the Consumer Price Index (CPI).

#### **Relationship between the Remuneration Policy and the Corporation's Performance**

The Corporation's remuneration policy has been designed to align the objectives of senior executives with business objectives. The CEO and all senior executives are appointed under employment contracts. Performance objectives are established and assessed annually. The CEO's performance against objectives is reviewed by the Board at least annually. For other senior executives the CEO reports to the Board at least annually.

#### **Remuneration of Directors and Senior Executives**

The following table of benefits and payments details the components of remuneration for each person that acted as a Director or Senior Executive of the Corporation during or since the end of the financial year:

2017 Non-executive Directors	Short-term Benefits	Other Long Term Employee Benefits	Post Employment Benefits		Total
	Salary		Superannuation	Termination Benefits	
	\$	\$	\$	\$	\$
Mr Miles Hampton	109,589	-	10,411	-	120,000
Mr Nick Burrows	63,599	-	6,042	-	69,641
Ms Sibylle Krieger	64,863	-	6,162	-	71,025
Mr Peter Lewinsky	61,102	-	5,805	-	66,907
Ms Sally Darke	59,802	-	5,681	-	65,483
Mr Vincent (Tony) Kelly	57,911	-	5,322	-	63,233
Dr Helen Locher	57,911	-	5,494	-	63,405
<b>Total</b>	<b>474,777</b>	<b>-</b>	<b>44,917</b>	<b>-</b>	<b>519,694</b>

2016 Non-executive Directors	Short-term Benefits	Other Long Term Employee Benefits	Post Employment Benefits		Total
	Salary		Superannuation	Termination Benefits	
	\$	\$	\$	\$	\$
Mr Miles Hampton	113,804	-	10,811	-	124,615
Dr Dan Norton AO (term expired 29/2/16)	43,559	-	4,138	-	47,697
Mr Brian Bayley (term expired 29/2/16)	43,559	-	4,138	-	47,697
Mr Nick Burrows	64,975	-	6,173	-	71,148
Ms Sibylle Krieger	61,096	-	5,804	-	66,900
Mr Peter Lewinsky	62,917	-	5,979	-	68,896
Ms Sally Darke (appointed 1/1/16)	29,364	-	2,790	-	32,154
Mr Vincent (Tony) Kelly (appointed 1/3/16)	21,804	-	2,071	-	23,875
Dr Helen Locher (appointed 1/3/16)	21,804	-	2,071	-	23,875
<b>Total</b>	<b>462,882</b>	<b>-</b>	<b>43,975</b>	<b>-</b>	<b>506,857</b>

2017 Senior executives	Short-term Benefits	Other Long Term Employee Benefits	Post Employment Benefits		Total
	Salary		Superannuation	Termination Benefits	
	\$	\$	\$	\$	\$
Mr Michael Brewster	458,043	8,419	31,802	-	498,264
Mr Dean Page	282,103	11,357	25,739	-	319,199
Ms Cathy Cuthbertson	214,163	1,758	24,310	-	240,231
Mr Andrew Moir	296,334	15,390	27,477	-	339,201
Dr Dharma Dharmabalan	267,198	(1,427)	24,503	-	290,274
Mr Glen Jameson (resigned 28/7/16)	22,985	(11,711)	1,644	41,492	54,410
Ms Eleanor Bray (resigned 24/3/17)	199,267	(25,032)	20,232	42,250	236,717
Ms Ailsa Sypkes	219,433	8,809	20,846	-	249,088
Ms Juliet Mercer (appointed 22/8/16)	196,882	8,044	17,885	-	222,811
Mr Benny Smith (appointed 5/12/16)	133,198	9,212	12,654	-	155,064
Mr Tony Willmott (18/7 - 5/12/16) (Acting)	77,036	9,317	7,318	-	93,671
Mr Jason Browne (27/3 -30/6/17) (Acting)	64,489	11,778	6,126	-	82,393
<b>Total</b>	<b>2,431,131</b>	<b>45,914</b>	<b>220,536</b>	<b>83,742</b>	<b>2,781,323</b>

2016 Senior executives	Short-term Benefits	Other Long Term Employee Benefits	Post Employment Benefits		Total
	Salary		Superannuation	Termination Benefits	
	\$	\$	\$	\$	\$
Mr Michael Brewster	425,070	15,453	39,605	-	480,128
Mr Dean Page	262,928	(1,524)	24,299	-	285,703
Ms Cathy Cuthbertson	212,148	9,045	24,072	-	245,265
Mr Andrew Moir	284,703	11,719	26,375	-	322,797
Dr Dharma Dharmabalan	265,856	3,652	24,380	-	293,888
Mr Glen Jameson	233,679	6,919	20,833	-	261,431
Ms Eleanor Bray	234,937	12,830	21,430	-	269,197
Ms Ailsa Sypkes	212,372	6,071	20,178	-	238,621
<b>Total</b>	<b>2,131,693</b>	<b>64,165</b>	<b>201,172</b>	<b>-</b>	<b>2,397,030</b>

- ▶ Salary includes base salary and where applicable vehicle allowances and non-monetary remuneration benefits
- ▶ Termination benefits include payments in lieu of notice.

### Key terms of Employment Contracts

#### Senior executive staff

The employment terms and conditions of senior executives are formalised in Individual Employment Agreements.

Consistent with legislated requirements, senior executives receive a superannuation guarantee contribution of 9.50 per cent (2016: 9.50 per cent). Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation. Upon retirement, senior executives are paid employee benefit entitlements accrued to the date of retirement.

Terms of employment require the senior executive or the Corporation to provide a minimum notice period prior to termination of contract, subject to conditions of the *Fair Work Act 2009*, where applicable. The length of notice varies between Individual Employment Agreements, however is generally three to six months. Under certain circumstances senior executives may be paid a redundancy, the level of which is dependent on individual contractual arrangements.



### Non-executive Directors

Appointment conditions for non-executive Directors are specified in both the WSCA and formal letters of appointment. These include:

- ▶ Each term of appointment must not exceed three years;
- ▶ A director may be re-appointed for further terms not exceeding three years each;
- ▶ A director can be appointed by consecutive terms for a maximum of 10 continuous years from the date of first appointment. The 10 year period may only be extended by Special Majority of the Selection Committee;
- ▶ Either the independent Director, the Corporation or the ORG may terminate the relationship on three months' notice or immediately in certain situations; and
- ▶ The Corporation is to ensure that it has appropriate Directors' and Officers' liability insurance.

Further information about the remuneration of Directors and senior executives is set out in Note 14 to the financial statements.

### **Indemnification of Directors and Officers**

During the financial year, the Corporation paid a premium in respect of an insurance policy covering the liability of all current Directors and Officers of the Corporation.

The Corporation has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Corporation against a liability incurred as such by an officer or auditor.

### **Proceedings on Behalf of the Corporation**

No person has applied for leave of the Court to bring proceedings on behalf of the Corporation or intervened in any proceedings to which the Corporation is a party for the purpose of taking responsibility on behalf of the Corporation for all or any part of those proceedings.

The Corporation was not a party to any such proceedings during the year.

### **Auditor's Independence Declaration**

The auditor's independence declaration is included on page 40.

### **Rounding of amounts**

The Corporation is of a kind referred to in ASIC Class Order 2016/191, dated 24 March 2016, and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

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

On behalf of the Directors



**Miles Hampton**  
Chair



**Nick Burrows**  
Director

24 August 2017

# AUDITOR'S INDEPENDENCE DECLARATION



**Tasmanian**  
Audit Office

Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000  
Postal Address: GPO Box 851, Hobart, Tasmania, 7001  
Phone: 03 6173 0900 | Fax: 03 6173 0999  
Email: [admin@audit.tas.gov.au](mailto:admin@audit.tas.gov.au)  
Web: [www.audit.tas.gov.au](http://www.audit.tas.gov.au)

22 August 2017

The Board of Directors  
Tasmanian Water and Sewerage Pty Ltd  
PO Box 1060  
**GLENORCHY TAS 7010**

Dear Board Members

## **Auditor's Independence Declaration**

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Tasmanian Water and Sewerage Corporation Pty Ltd for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) any applicable code of professional conduct in relation to the audit.

In accordance with the *Corporations Act 2001* a copy of this declaration must be included in the Directors' report.

Yours sincerely

Rod Whitehead  
**Auditor-General**

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# DIRECTORS' DECLARATION



24 August 2017

## FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 DIRECTORS' DECLARATION

The Directors declare that for the financial year ended 30 June 2017:

- a) The attached financial statements and notes thereto comply with accounting standards;
- b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Corporation;
- c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth);
- d) In the Directors' opinion, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and
- e) The Directors have been given the declarations as set out in Section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and General Manager Finance and Commercial Services for the financial year ended 30 June 2017.

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

A handwritten signature in black ink, appearing to read "Miles Hampton".

Miles Hampton  
Chair

A handwritten signature in black ink, appearing to read "Nick Burrows".

Nick Burrows  
Director

# INDEPENDENT AUDITOR'S REPORT



## Independent Auditor's Report

To the Members of Tasmanian Water and Sewerage Corporation Pty Ltd

### Report on the Audit of the Financial Report

#### Opinion

I have audited the financial report of the Tasmanian Water and Sewerage Corporation Pty Ltd (the Company) which comprises the statement of financial position as at 30 June 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In my opinion, the accompanying financial report of the Company is in accordance the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 22 August 2017 and included in the Directors' Report, would be in the same terms if provided to the directors at the time of this auditor's report.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

---

<b>Why this matter is considered to be one of the most significant matters in the audit</b>	<b>Audit procedures to address the matter included</b>
---	--

---

#### **Valuation of Water and Sewerage Infrastructure**

*Refer to note 10*

Property, plant and equipment included material long-life water and sewerage infrastructure assets recognised at fair value and carried at \$1.61bn at 30 June 2017. The fair value of these water and sewerage assets was determined using an income valuation methodology based on discounted cash flows. The projected cash flows are discounted to present value using a discount rate based on a real pre-tax weighted average cost of capital (WACC).

The calculation of fair value is judgemental and highly dependent on a range of assumptions and estimates, such as the discount rate, perpetuity factor, expected revenue growth, operating expenditure growth rate, renewal capital expenditure and WACC.

- Assessing the scope, expertise and independence of experts engaged by management to provide advice on the Company's water and sewerage infrastructure asset valuation methodology.
- Evaluating the appropriateness of the valuation methodology applied by management to determine the fair value of the water and sewerage infrastructure assets and also considering whether it was consistent with Australian Accounting Standards
- Testing whether the cash flows used in the valuation model were consistent with the most recent Corporate Plan approved by the Board.
- Critically assessing the forecast cash flows and other key inputs and assumptions in the valuation model. Where possible, we corroborated market related assumptions by reference to external data.
- Testing, on a sample basis, the mathematical accuracy of the valuation model's calculations.
- Challenging management's process for reviewing and adopting the valuations, and discussing this with those charged with governance.
- Evaluating the adequacy of disclosures made, including those regarding key assumptions used, in light of the requirements of Australian Accounting Standards.

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### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and 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 Directors for the Financial Report**

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

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

### **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 the 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 this 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

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error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors 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.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on the Remuneration Report**

##### *Opinion on the Remuneration Report*

I have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017. In my opinion, the Company's Remuneration Report, presents fairly, in all material respects, the remuneration of key management personnel of the Company for the year ended 30 June 2017.

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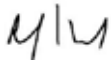
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*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report. My responsibility is to express an opinion on the Remuneration Report, based on my audit conducted in accordance with Australian Auditing Standards.



Rod Whitehead  
**Auditor-General**

**Tasmanian Audit Office**

28 August 2017  
Hobart

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TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
<b>REVENUE</b>			
Sales Revenue	5	290,741	273,196
Other Revenue	5	24,742	31,270
Initial Recognition of Assets	5	-	4,866
<b>Total Revenue</b>		<b>315,483</b>	<b>309,332</b>
<b>EXPENSES</b>			
Raw Materials and Consumables	6	21,589	22,325
Depreciation and Amortisation Expenses	6	68,134	69,995
Employee and Related Expenses	6	96,890	86,643
Operations and Maintenance Expenses	6	49,387	49,323
Administration Expenses	6	19,732	19,472
Finance Expenses	6	18,893	18,783
Asset Revaluation Decrement	6	-	6,593
<b>Total Expenses</b>		<b>274,625</b>	<b>273,134</b>
<b>Net Profit before Income Tax Equivalents Expense</b>		<b>40,858</b>	<b>36,198</b>
Income Tax Equivalents Expense	7.1	(12,266)	(10,888)
<b>Net Profit after Income Tax Equivalents Expense</b>		<b>28,592</b>	<b>25,310</b>
<b>OTHER COMPREHENSIVE INCOME: ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS</b>			
Actuarial (Loss)/Gain on Defined Benefit Plans		1,709	(3,908)
Change in Asset Revaluation Surplus		-	34,448
Income Tax Relating to Components of Other Comprehensive Income	7.2	(513)	(9,162)
<b>Total Other Comprehensive Income</b>		<b>1,196</b>	<b>21,378</b>
<b>Total Comprehensive Income for the Year</b>		<b>29,788</b>	<b>46,688</b>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	9.1	2,852	2,748
Receivables	9.2	48,755	40,682
Inventories	9.3	5,695	5,587
Prepayments		2,826	2,726
Assets Classified as Held for Sale	9.4	-	565
<b>Total Current Assets</b>		<b>60,128</b>	<b>52,308</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	9.2	1,034	1,255
Property, Plant & Equipment	10	2,032,266	1,985,155
Intangibles	11	20,309	14,630
Deferred Tax Assets	7.4	39,703	44,126
<b>Total Non-current Assets</b>		<b>2,093,312</b>	<b>2,045,166</b>
<b>Total Assets</b>		<b>2,153,440</b>	<b>2,097,474</b>
<b>CURRENT LIABILITIES</b>			
Payables	12.1	22,919	22,838
Current Tax Liability	7.3	737	1,417
Employee Benefits	13	20,869	15,723
Borrowings	12.2	75,784	98,031
Unearned Income	12.3	1,686	1,778
Other Current Liabilities	12.4	4,142	1,504
<b>Total Current Liabilities</b>		<b>126,137</b>	<b>141,291</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee Benefits	13	10,945	12,855
Borrowings	12.2	399,118	332,252
Unearned Income	12.3	31,205	32,577
Other Non-current Liabilities	12.4	992	3,787
<b>Total Non-current Liabilities</b>		<b>442,260</b>	<b>381,471</b>
<b>Total Liabilities</b>		<b>568,397</b>	<b>522,762</b>
<b>Net Assets</b>		<b>1,585,043</b>	<b>1,574,712</b>
<b>EQUITY</b>			
Retained Profits		33,115	22,784
Asset Revaluation Reserve		24,114	24,114
Contributed Equity		1,527,814	1,527,814
<b>Total Equity</b>		<b>1,585,043</b>	<b>1,574,712</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD  
STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers & Other Sources		304,089	296,410
Payments to Suppliers and Employees		(200,261)	(202,209)
Grant Funds		-	5,000
Headwork Charges		499	144
Interest Received		48	58
Interest Paid		(15,728)	(15,213)
Loan Guarantee Fees Paid to Owner Councils		(1,507)	(2,426)
Income Tax Equivalents Paid to Owner Councils	7.3	(9,036)	(7,242)
<b>Net Cash inflow from Operating Activities</b>	<b>9.1</b>	<b>78,104</b>	<b>74,522</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Payments for Property, Plant & Equipment		(94,462)	(117,162)
Interest Paid for Capital Works		(2,527)	(1,870)
Payment for Capitalised Employee and Direct Costs		(6,848)	(9,615)
Contributions Received		-	-
Proceeds from Sale of Property, Plant & Equipment		669	515
<b>Net Cash outflow used in Investing Activities</b>		<b>(103,168)</b>	<b>(128,132)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings		214,351	239,241
Repayment of Borrowings		(169,726)	(174,699)
Dividends Paid to Owner Councils		(19,457)	(20,332)
<b>Net Cash inflow from Financing Activities</b>		<b>25,168</b>	<b>44,210</b>
<b>Net increase / (decrease) in Cash and Cash Equivalents</b>		<b>104</b>	<b>(9,400)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		<b>2,748</b>	<b>12,148</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>9.1</b>	<b>2,852</b>	<b>2,748</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Notes	Retained Profits \$'000	Asset Revaluation Reserve \$'000	Contributed Equity \$'000	Total Equity \$'000
<b>Balance as at 30 June 2015</b>	<b>20,542</b>	<b>-</b>	<b>1,527,814</b>	<b>1,548,356</b>
Net Profit after Income Tax Equivalent Expense	25,310	-	-	25,310
Dividends Paid	(20,332)	-	-	(20,332)
Other Comprehensive Income	(2,736)	24,114	-	21,378
<b>Balance as at 30 June 2016</b>	<b>22,784</b>	<b>24,114</b>	<b>1,527,814</b>	<b>1,574,712</b>
Net Profit after Income Tax Equivalent Expense	28,592	-	-	28,592
Dividends Paid	(19,457)	-	-	(19,457)
Other Comprehensive Income	1,196	-	-	1,196
<b>Balance as at 30 June 2017</b>	<b>33,115</b>	<b>24,114</b>	<b>1,527,814</b>	<b>1,585,043</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying note.

# TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

## 1. GENERAL INFORMATION

### 1.1 COMPANY DETAILS

Tasmanian Water and Sewerage Corporation Pty Ltd (the Corporation), trading as TasWater, is a propriety limited company incorporated in Australia. The address of the Corporation's registered office is 169 Main Road, Moonah, Tasmania.

The Corporation is owned by the 29 Councils in Tasmania:

- |                             |                                |                             |
|-----------------------------|--------------------------------|-----------------------------|
| ▶ Break O'Day Council       | ▶ Flinders Council             | ▶ Launceston City Council   |
| ▶ Brighton Council          | ▶ George Town Council          | ▶ Meander Valley Council    |
| ▶ Burnie City Council       | ▶ Glamorgan Spring Bay Council | ▶ Northern Midlands Council |
| ▶ Central Coast Council     | ▶ Glenorchy City Council       | ▶ Sorell Council            |
| ▶ Central Highlands Council | ▶ Hobart City Council          | ▶ Southern Midlands Council |
| ▶ Circular Head Council     | ▶ Huon Valley Council          | ▶ Tasman Council            |
| ▶ Clarence City Council     | ▶ Kentish Council              | ▶ Waratah-Wynyard Council   |
| ▶ Derwent Valley Council    | ▶ Kingborough Council          | ▶ West Coast Council        |
| ▶ Devonport City Council    | ▶ King Island Council          | ▶ West Tamar Council        |
| ▶ Dorset Council            | ▶ Latrobe Council              |                             |

The Corporation operates as an entity under the *Corporation Act 2001* and in accordance with the WSCA and the *Water and Sewerage Industry Act 2008 (WSIA)*.

The principal activities of the Corporation are the provision of water and sewerage services for residential and commercial customers throughout Tasmania.

### 1.2 STATEMENT OF COMPLIANCE

This Financial Report is a general-purpose financial report, prepared in accordance with the *Corporations Act 2001* (Cth), relevant Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB). The Financial Report also complies with International Financial Reporting Standards (IFRS) and Interpretations adopted by the International Accounting Standards Board.

The Financial Report was approved by the Board of Directors on 24 August 2017.

### 1.3 BASIS OF PREPARATION

The Financial Report is prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies. Historical cost is based on the fair values of the consideration given in exchange for the assets. All figures unless indicated otherwise are reported in Australian dollars.

The Corporation is of a kind referred to in ASIC Class Order 2016/191, dated 24 March 2016, and in accordance with that Class Order amounts in the Financial Report are rounded off to the nearest thousand dollars (\$'000), unless otherwise stated.

## 1. GENERAL INFORMATION (continued)

### 1.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of AASB standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The most significant accounting estimates undertaken in the preparation of this financial report relate to:

- ▶ Useful lives of assets
- ▶ Fair value of infrastructure, land, buildings and leasehold improvements
- ▶ Asset impairment
- ▶ Accrued revenue, in particular unbilled water sales and the amortisation period of government grants
- ▶ Restoration and rehabilitation provisions
- ▶ Defined benefit obligations
- ▶ Contingent assets and liabilities.

### 1.5 NOTE TO READER

The notes to the Financial Statements include information that is required to understand the Financial Statements and is material and relevant to the operations, financial position and performance of the Corporation.

Information is considered material and relevant if, for example:

- ▶ The amount in question is significant because of its size or nature
- ▶ It is important for understanding the results of the Corporation
- ▶ It helps explain the impact of significant changes in the Corporation
- ▶ It relates to an aspect of the corporation's operations that is important for its future performance.

The notes have been grouped into sections to help readers understand how the Corporation strategy is reflected in the financial performance and position of the Corporation:

- ▶ General Information
- ▶ Our Business Performance
- ▶ Our Asset Platform
- ▶ Our People
- ▶ Our Funding Structure and Management of our Financial Risks
- ▶ Other Important Information.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

#### Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The Corporation does not intend to adopt any of these pronouncements before their effective dates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standard / Interpretation	Summary	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending	Impact on financial report
<b>AASB 9 Financial Instruments</b>	The key changes include the simplified requirements or the classification and measurement of financial assets, a new hedging accounting model and revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	30 June 2019	The preliminary assessment has not identified any material impact arising from AASB 9. We will continue to monitor and assess.
<b>AASB 15 Revenue from Contracts with Customers</b>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2017	30 June 2018	The changes to the revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on services revenue and contract modifications. Our preliminary assessment is that we do not expect that the way we account for core revenue will change as a result of the new standard.
<b>AASB 16 Leases</b>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2018	30 June 2019	The assessment has indicated that most operating leases will be on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.

### 2.2 GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

1. Where the amount of gst incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### 2.3 COMPARISONS WITH PREVIOUS YEAR

When necessary comparative figures are adjusted to conform with changes in presentation in the current year.

### 2.4 OTHER ACCOUNTING POLICIES

Significant other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.



### 3. EVENTS AFTER BALANCE DATE

There have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect the Corporation, its operations, results of operations or state of affairs in the reporting period.

### 4. OPERATING SEGMENTS

The following is an analysis of the Corporation's revenue, expenses and results from continuing operations by reportable segment:

Segment Results Year Ended 30 June 2017	Water \$'000	Sewerage \$'000	Other \$'000	Total \$'000
<b>Revenue</b>				
Service Charges (including Trade Waste)	76,058	136,174	84	212,316
Usage Charges (including Trade Waste)	52,514	6,991	1,456	60,961
Government Funded Concessions	4,487	4,068	-	8,555
Government Grants and Compensation	1,381	-	-	1,381
Interest Received	252	278	1	531
Other	16,707	14,537	495	31,739
<b>Total Revenue</b>	<b>151,399</b>	<b>162,048</b>	<b>2,036</b>	<b>315,483</b>
<b>Expenses</b>				
Operations and Maintenance	25,098	45,675	203	70,976
Employee Related Expenses	47,497	49,112	281	96,890
Administration	9,579	10,059	94	19,732
Depreciation	34,842	32,673	619	68,134
Interest Expense	10,127	8,539	227	18,893
Revaluation Decrement	-	-	-	-
<b>Total Expenses</b>	<b>127,143</b>	<b>146,058</b>	<b>1,424</b>	<b>274,625</b>
<b>Profit Before Tax (continuing operations)</b>	<b>24,256</b>	<b>15,990</b>	<b>612</b>	<b>40,858</b>
Income Tax Expense	7,282	4,800	184	12,266
<b>Profit After Tax (continuing operations)</b>	<b>16,974</b>	<b>11,190</b>	<b>428</b>	<b>28,592</b>
<b>Segment Results Year Ended 30 June 2016</b>				
	Water \$'000	Sewerage \$'000	Other \$'000	Total \$'000
<b>Revenue</b>				
Service Charges (including Trade Waste)	73,862	124,409	91	198,363
Usage Charges (including Trade Waste)	51,903	5,780	1,908	59,592
Government Funded Concessions	4,407	3,997	-	8,404
Government Grants and Compensation	5,139	2,225	59	7,423
Interest Received	304	312	1	617
Other	14,978	19,494	462	34,934
<b>Total Revenue</b>	<b>150,593</b>	<b>156,219</b>	<b>2,521</b>	<b>309,332</b>
<b>Expenses</b>				
Operations and Maintenance	34,871	36,452	325	71,648
Employee Related Expenses	43,221	43,081	342	86,643
Administration	9,549	9,799	123	19,472
Depreciation	35,685	33,549	761	69,995
Interest Expense	10,203	8,360	221	18,783
Revaluation Decrement	2,979	2,973	641	6,593
<b>Total Expenses</b>	<b>136,508</b>	<b>134,214</b>	<b>2,413</b>	<b>273,134</b>
<b>Profit Before Tax (continuing operations)</b>	<b>14,085</b>	<b>22,005</b>	<b>108</b>	<b>36,198</b>
Income Tax Expense	4,236	6,619	33	10,888
<b>Profit After Tax (continuing operations)</b>	<b>9,849</b>	<b>15,386</b>	<b>75</b>	<b>25,310</b>

#### 4. OPERATING SEGMENTS (continued)

##### Recognition and measurement

The Corporation has voluntarily adopted AASB 8 Operating Segments. The disclosure requirements of AASB 8 do not apply to the Corporation as they are only applicable to entities with publicly traded shares and debentures, however the Corporation believes the voluntary disclosure of segment information will assist readers to better assess and understand the Corporation's financial performance.

Information reported to the Corporation's CEO for the purposes of resource allocation and assessment of segment performance is predominantly focused on the provision of two regulated services, water and sewerage. Information relating to a third segment, other, is also provided and incorporates non-regulated services such as reuse and irrigation. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. With the exception of property, plant and equipment, no asset and liability information is reported to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance. Property, plant and equipment information is provided in Note 10.

#### 5. REVENUE AND OTHER INCOME

The components of revenue and other income for the year ended 30 June are as follows:

	2017 \$'000	2016 \$'000
<b>SALES REVENUE</b>		
Water - Service Charge	74,344	72,174
Sewerage - Service Charge	133,212	120,819
Water - Usage Charges	51,863	51,344
Irrigation Income	629	1,172
Trade Waste Income	10,166	9,480
State Government Funded Concessions	8,555	8,404
Other Fees and Charges including New Connections	11,972	9,803
<b>Total Sales Revenue</b>	<b>290,741</b>	<b>273,196</b>
<b>OTHER REVENUE</b>		
Contributed Assets and Headwork Charges	18,850	21,923
Government Grants	1,381	7,423
Insurance Recovery - Flood Event	2,450	-
Other	2,061	1,924
<b>Total Other Revenue</b>	<b>24,742</b>	<b>31,270</b>
<b>INITIAL RECOGNITION OF ASSETS</b>		
Assets not previously recognised	-	5,428
De-recognised Assets	-	(562)
<b>Initial Recognition of Assets</b>	<b>-</b>	<b>4,866</b>
<b>Total Revenue</b>	<b>315,483</b>	<b>309,332</b>

##### Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable.

##### Sale of Water

Fixed water charges are either billed monthly or quarterly and are recognised on a monthly basis. Variable water sales are recognised when water is metered as passing from the Corporation's distribution system to the customer. Unbilled water sales is an estimate of the value of water supplied to the customer between the date of the last meter reading and the year end, and is included in water income within sales revenue and in the Statement of Financial Position as a receivable.

## 5. REVENUE AND OTHER INCOME (continued)

### Sewerage Income

Fixed charges for the collection and treatment of sewerage are either billed monthly or quarterly and are recognised on a monthly basis. Variable sewerage charges (Industrial customers) are recognised when waste is metered as passing from the customer to the Corporation's collection system. Unbilled sewerage income (including trade waste) is an estimate of the value of sewerage treated on behalf of the customer between the date of the last meter reading and the year end, and is included in sewerage income within sales revenue and in the Statement of Financial Position as a receivable.

### Grants

Grants are recognised when received or when the Corporation obtains control over the assets comprising the contributions. Government grants of a revenue nature are recognised as income over the periods necessary to match related costs. Government grants related to assets are recognised in the Statement of Financial Position as a deferred liability and are recognised as revenue on a systematic basis over the useful life of the asset.

### Customer Contributions and Developer Charges

Customer contributions and developer charges received for no consideration are recognised at fair value and treated as revenue when received unless they are directly associated with an incomplete capital project, in which case they are included as a liability and capital work in progress in the Statement of Financial Position and recognised when the project is completed.

## 6. EXPENSES

The components of expenses and other income for the year ended 30 June are as follows:

	2017 \$'000	2016 \$'000
<b>RAW MATERIAL AND CONSUMABLES</b>		
Power Costs	11,641	11,908
Chemicals	7,388	7,890
Water Commission Rights	2,560	2,527
<b>Total</b>	<b>21,589</b>	<b>22,325</b>
<b>DEPRECIATION EXPENSES</b>		
Infrastructure Assets	58,583	60,812
Buildings & Leasehold Improvements	838	861
Other Assets	6,662	6,196
<b>Total</b>	<b>66,083</b>	<b>67,869</b>
<b>AMORTISATION EXPENSES</b>		
Intangibles	2,051	2,126
<b>Total</b>	<b>2,051</b>	<b>2,126</b>
<b>Total Depreciation and Amortisation Charges</b>	<b>68,134</b>	<b>69,995</b>
<b>EMPLOYEE AND RELATED EXPENSES</b>		
Remuneration and On-Costs	94,695	92,439
Less Capitalised Salaries	(6,848)	(9,615)
Restructure Costs	5,601	-
Other Employee and Related Expenses	3,442	3,819
<b>Total</b>	<b>96,890</b>	<b>86,643</b>
<b>OPERATIONS AND MAINTENANCE EXPENSES</b>		
Maintenance and Planning	35,891	38,919
Property Costs	6,996	5,646
Motor Vehicles	2,828	2,918
Flood Recovery Expenses	1,264	-
Other Operations and Maintenance	2,408	1,840
<b>Total</b>	<b>49,387</b>	<b>49,323</b>

## 6. EXPENSES (continued)

	2017 \$'000	2016 \$'000
<b>ADMINISTRATION EXPENSES</b>		
Insurance	1,743	1,500
Billing costs	2,817	2,750
Property Costs	1,479	1,428
Information Systems and Communications	5,282	4,962
Regulatory Fee	2,547	2,573
Other Administration	5,864	6,259
<b>Total</b>	<b>19,732</b>	<b>19,472</b>
<b>FINANCE EXPENSES</b>		
Interest Expense - Borrowings	18,456	17,867
Loan Guarantee Fee Expense (paid to Owner Councils)	2,581	2,433
Less Amount Capitalised <sup>(1)</sup>	(2,527)	(1,870)
Interest Expense - Superannuation	383	353
<b>Total</b>	<b>18,893</b>	<b>18,783</b>
<b>ASSET REVALUATION DECUREMENT</b>		
Revaluation decrease on Land	-	5,706
Revaluation decrease on Non-infrastructure Buildings	-	887
<b>Total</b>	<b>-</b>	<b>6,593</b>
<b>Total Expenses</b>	<b>274,625</b>	<b>273,134</b>

<sup>(1)</sup>Average capitalisation rate is 4.73 per cent per annum (2016: 5.14 per cent per annum)

### Recognition and measurement

#### Leased Property, Plant and Equipment

Leases of property, plant and equipment are classified as operating leases where the lessor retains substantially all of the risks and benefits of ownership. Lease payments are charged against profits in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis would be more representative of the patterns of benefits to be derived from the leased property.

#### Finance Expenses

Finance expenses directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Included in finance expenses is the Loan Guarantee Fee (LGF) which is administered by the Department of Treasury and Finance. The purpose of the LGF is to neutralise the competitive advantage of the Corporation having access to funding through the Tasmanian Public Finance Corporation (Tascorp). The LGF is payable to Owner Councils.

All other finance expenses are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

#### Flood Event

Infrastructure assets across northern and north western Tasmania suffered significant damage due to the severe weather and flooding event in June 2016. The Corporation outlaid \$3.6 million to address the damage caused. The recovery costs were a combination of capital items (\$2.3 million) and operating costs (\$1.3 million). Total insurance recoveries were \$2.5 million.

## 7. INCOME TAX EQUIVALENTS

### 7.1 INCOME TAX EQUIVALENTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

	2017 \$'000	2016 \$'000
Current tax equivalents	8,356	6,235
Adjustments recognised in the current year in relation to the current tax of prior years	-	(242)
Deferred tax equivalents	3,910	4,653
Prior year adjustments in relation to deferred tax	-	242
<b>Total income tax equivalents expense</b>	<b>12,266</b>	<b>10,888</b>
<b>Attributable to continuing operations</b>	<b>12,266</b>	<b>10,888</b>

The prima facie income tax equivalents on pre-tax accounting profit from operations reconciles to the income tax equivalents in the financial statements as follows:

Profit from continuing operations	40,858	36,198
Income tax equivalents calculated at 30%	12,257	10,859
Non-deductible expenses	9	29
	<b>12,266</b>	<b>10,888</b>
Adjustments in current year in relation to the current tax of prior years	-	-
<b>Income tax equivalents expense</b>	<b>12,266</b>	<b>10,888</b>

The tax equivalent rate used in the reconciliation above is the national tax equivalent rate of 30 per cent payable by Australian national tax equivalent entities on profits under Australian tax law.

### 7.2 INCOME TAX RECOGNISED DIRECTLY IN EQUITY

The following current and deferred tax equivalents were charged directly to equity during the period:

Deferred tax - actuarial loss/(gain) on defined benefit scheme	(513)	1,172
Deferred tax - (gain)/loss on revaluation of land and buildings	-	(10,334)
	<b>(513)</b>	<b>(9,162)</b>

### 7.3 CURRENT TAX EQUIVALENT ASSETS AND LIABILITIES

Opening balance liability / (asset)	1,417	2,666
Reversal of over provision for tax in prior year	-	(242)
National tax equivalent payable	8,356	6,235
Instalments paid - in respect of prior years	(1,417)	(2,424)
Instalments paid - current year	(7,619)	(4,818)
<b>Closing balance liability / (asset)</b>	<b>737</b>	<b>1,417</b>

### 7.4 DEFERRED TAX EQUIVALENT ASSETS

<b>Deferred tax equivalent assets comprise</b>		
Tax losses - revenue	10,424	12,085
Temporary differences	29,279	32,041
	<b>39,703</b>	<b>44,126</b>

## 7. INCOME TAX EQUIVALENTS (continued)

Taxable and deductible differences arise from the following:

30 June 2017	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
<b>DEFERRED TAX EQUIVALENT ASSETS</b>					
Provisions	11,461	773	(513)	-	11,721
Tax losses	12,085	(1,661)	-	-	10,424
Property, plant & equipment	9,179	(2,178)	-	-	7,001
Other	11,401	(844)	-	-	10,557
	<b>44,126</b>	<b>(3,910)</b>	<b>(513)</b>	<b>-</b>	<b>39,703</b>
<b>Attributable to continuing operations</b>	<b>44,126</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,703</b>
30 June 2016	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
<b>DEFERRED TAX EQUIVALENT ASSETS</b>					
Provisions	9,679	610	1,172	-	11,461
Tax losses	13,609	(1,524)	-	-	12,085
Property, plant & equipment	22,234	(2,721)	(10,334)	-	9,179
Other	12,661	(1,260)	-	-	11,401
	<b>58,183</b>	<b>(4,895)</b>	<b>(9,162)</b>	<b>-</b>	<b>44,126</b>
<b>Attributable to continuing operations</b>	<b>58,183</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,126</b>

Gross cumulative tax equivalent losses of \$34,748,215 (2016: \$40,284,879), tax effect \$10,424,465 (2016: \$12,085,464) were brought to account as a deferred tax asset. Included in the cumulative tax equivalent losses are losses transferred from Southern Water, Ben Lomond Water and Cradle Mountain Water at the inception of the Corporation. The utilisation of transferred losses is limited by the 'available fraction' method. The Corporation's carry forward losses are classified as an asset on the basis of certainty of recouping the loss at some time in the future.

### Recognition and measurement

Income tax equivalents expense on the profit for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Income tax equivalent payments are distributed to Owner Councils in accordance with the Corporation's Constitution.

Deferred tax is provided using the balance sheet liability method and represents the temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the Financial Report. Deferred tax assets relating to deductible temporary differences and tax losses are only brought to account when their realisation is probable.

## 8. DIVIDENDS

On 28 February 2017 the Board of the Corporation approved the payment of an interim dividend of \$7,496,372 (2016: \$7,341,988). This interim dividend was paid on 28 February 2017.

On 28 June 2017 the Board approved the payment of a further dividend of \$11,960,171 (2016: \$12,990,468), which was paid on 30 June 2017.

Dividends paid were distributed in accordance with each member's equity proportions for distribution purposes as documented in Schedule 3 of the Corporations' Constitution.

## 8. DIVIDENDS (continued)

### Recognition and measurement

Dividends payable are recognised when approved by the Board of the Corporation. In accordance with accounting standards final dividends are not recognised in the financial statements unless they are declared prior to the balance date.

## 9. CURRENT ASSETS

### 9.1 CASH AND CASH EQUIVALENTS

	2017 \$'000	2016 \$'000
Cash at Bank and on Hand	2,852	2,748
	<b>2,852</b>	<b>2,748</b>

The reconciliation of net profit after tax to net cash provided by operating activities for the periods ending 30 June is as follows:

	2017 \$'000	2016 \$'000
Net Profit before Income Tax Equivalents	40,858	36,198
Depreciation and Amortisation Expense	68,134	69,995
Grants of assets	(1,381)	(2,423)
Loss on Sale of Non-current Assets	(30)	571
Contributed Assets	(17,898)	(19,739)
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
(Increase) Decrease in Receivables	(7,009)	10,714
(Increase) Decrease in Inventory	(108)	(406)
(Increase) Decrease in Prepayments	(100)	(834)
Increase (Decrease) in Payables	498	(3,486)
Increase (Decrease) in Employee Benefits	4,430	(8,321)
Increase (Decrease) in Unearned Income	(97)	(682)
Increase (Decrease) in Other Liabilities	(157)	177
<b>Income Tax Equivalents Paid</b>	<b>(9,036)</b>	<b>(7,242)</b>
<b>Cash Inflows from Operating Activities</b>	<b>78,104</b>	<b>74,522</b>

The reconciliation of cash and cash equivalents for the periods ended 30 June is as follows:

<b>Cash at Bank and on Hand</b>	<b>2,852</b>	<b>2,748</b>
<b>Cash as per Statement of Cash Flows</b>	<b>2,852</b>	<b>2,748</b>

### Recognition and measurement

Cash and cash equivalents includes cash on hand and in banks and investments in money market instruments which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis. Cash assets are brought to account at amortised cost.

## 9. CURRENT ASSETS (continued)

### 9.2 RECEIVABLES

	2017 \$'000	2016 \$'000
<b>Current Receivables</b>		
Trade receivables	35,302	30,610
Less allowance for impaired trade receivables	(4,010)	(4,002)
Unbilled water and sewerage income	11,981	10,746
Other current receivables	5,482	3,328
	<b>48,755</b>	<b>40,682</b>
<b>Non Current Receivables</b>		
Deferred payment receivables	1,034	1,255
	<b>1,034</b>	<b>1,255</b>
<b>Total Receivables</b>	<b>49,789</b>	<b>41,937</b>

An ageing analysis of receivables is provided in Note 16.4

	2017 \$'000	2016 \$'000
<b>Movement in allowance for impaired trade receivables</b>		
Opening balance	(4,002)	(3,507)
Increase in allowance	(685)	(852)
Reversal of prior year write off	(10)	(38)
Amounts written off during the year	687	395
<b>Closing balance</b>	<b>(4,010)</b>	<b>(4,002)</b>

#### Recognition and measurement

Trade receivables comprise residential, commercial, industrial, reuse and irrigation customers and other sundry debtors. Settlement terms for customers range from 14 to 31 days from invoice date. Receivables include unbilled water and sewerage income.

Trade receivables are recognised at their amortised cost less an allowance for impairment losses. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment based on objective evidence from historical experience adjusted for conditions existing at each balance date. Impairment of receivables is calculated as a percentage of overdue receivables balances at year end after taking into account specific customer segments with reference to past payment experience. Debts are written off when collection is no longer probable.

### 9.3 INVENTORIES

	2017 \$'000	2016 \$'000
Stores and consumables	6,147	5,918
Less allowance for obsolete stock	(452)	(331)
<b>Total</b>	<b>5,695</b>	<b>5,587</b>

#### Recognition and measurement

Inventories comprise treated water on hand, where material, and stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are valued at the lower of cost or net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost basis. Inventories include goods held for distribution at no or nominal cost in the ordinary course of business operations.



## 9. CURRENT ASSETS (continued)

### 9.4 ASSETS CLASSIFIED AS HELD FOR SALE

	2017 \$'000	2016 \$'000
Land and Buildings	-	565

#### Recognition and measurement

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## 10. PROPERTY, PLANT AND EQUIPMENT

	2017 \$'000	2016 \$'000
<b>INFRASTRUCTURE ASSETS - WATER</b>		
At Fair Value	982,001	965,247
Accumulated Depreciation	(117,925)	(88,228)
	<u>864,076</u>	<u>877,019</u>
<b>INFRASTRUCTURE ASSETS - SEWERAGE</b>		
At Fair Value	862,513	830,800
Accumulated Depreciation	(114,615)	(85,855)
	<u>747,898</u>	<u>744,945</u>
<b>FREEHOLD LAND</b>		
At Fair Value	<u>83,184</u>	<u>82,954</u>
<b>BUILDINGS AND LEASEHOLD IMPROVEMENTS</b>		
At Fair Value	25,843	25,693
Accumulated Depreciation	(3,160)	(2,322)
	<u>22,683</u>	<u>23,371</u>
<b>OTHER ASSETS</b>		
At Cost	49,632	46,173
Accumulated Depreciation	(21,050)	(15,141)
	<u>28,582</u>	<u>31,032</u>
<b>WORK IN PROGRESS</b>		
At Cost	<u>285,843</u>	<u>225,834</u>
<b>Total</b>	<b>2,032,266</b>	<b>1,985,155</b>

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

### Recognition and measurement

The Corporation uses the revaluation model in accordance with AASB 116 Property, Plant and Equipment and measures fair value in accordance with AASB 13 Fair Value Measurement .

Infrastructure, Freehold Land and Building assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment losses, where applicable. The initial cost is determined as the purchase value of the asset at the date of acquisition plus costs incidental to the acquisition. Developer contributions received for no consideration are recorded at fair value. The cost of fixed assets constructed by the Corporation includes the cost of all materials used in construction, applicable finance expenses and the cost of direct labour on the project. Internal labour and other related costs may also form part of the project cost.

Other Assets are stated at cost less accumulated depreciation and accumulated impairment adjustments. Other Assets include motor vehicles, furniture, fittings, telemetry equipment and IT hardware.

The Corporation recognises subsequent costs in the carrying amount of the fixed asset, or recognised as a new fixed asset, only when it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

### Depreciation

Depreciation of property (other than land), plant and equipment is calculated on an individually assessed economic life using the straight-line method of depreciation, so as to write off the net cost (or previously revalued amounts) of each asset over its expected useful life. The economic life of property (other than land), plant and equipment is reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The assessed economic life of property, plant and equipment is summarised as follows:

- |                          |                 |
|--------------------------|-----------------|
| ▶ Dams / Earthworks      | 100 – 135 years |
| ▶ Pipelines              | 30 – 140 years  |
| ▶ Civil / Structural     | 30 – 100 years  |
| ▶ Other Infrastructure   | 5 – 40 years    |
| ▶ Buildings              | 40 – 85 years   |
| ▶ Leasehold Improvements | 2 – 10 years    |
| ▶ Other Assets           | 2 – 25 years.   |

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

### Movements in Carrying Amounts

Asset Group (\$'000)	Infrastructure Assets - Water at Fair Value Level 3	Infrastructure Assets - Sewerage at Fair Value Level 3	Freehold Land at Fair Value Level 2	Freehold Land at Fair Value Level 3	Buildings & Leasehold Improvements at Fair Value Level 2	Buildings & Leasehold Improvements at Fair Value Level 3	Other Assets at Cost	Assets under Construction at Cost	Total
Net Book Value as at 1 July 2016	877,019	744,945	80,611	2,343	15,920	7,451	31,032	225,834	1,985,155
Contributed Assets at Fair Value	10,112	6,939	220	-	-	-	-	-	17,271
Derecognised assets	-	-	-	-	-	-	-	-	-
Additions at Cost	-	80	19	-	4	-	1,558	95,424	97,085
Transfers from Work in Progress	6,564	25,280	-	-	146	-	3,425	(35,415)	-
Transfers between Asset Classes	144	(91)	-	-	-	-	(53)	-	-
Disposals	(40)	(395)	(9)	-	-	-	(718)	-	(1,162)
Net revaluation adjustments	-	-	-	-	-	-	-	-	-
Assets transferred to other fair level values	-	-	-	-	-	-	-	-	-
Assets transferred to Held for Sale	-	-	-	-	-	-	-	-	-
Depreciation Expenses	(29,723)	(28,860)	-	-	(838)	-	(6,662)	-	(66,083)
<b>Net Book Value as at 30 June 2017</b>	<b>864,076</b>	<b>747,898</b>	<b>80,841</b>	<b>2,343</b>	<b>15,232</b>	<b>7,451</b>	<b>28,582</b>	<b>285,843</b>	<b>2,032,266</b>
Net Book Value as at 1 July 2015	923,354	706,391	-	50,047	-	29,415	31,645	137,536	1,878,388
Contributed Assets at Fair Value	9,058	10,039	5,428	-	-	-	-	-	24,525
Derecognised assets	-	-	(562)	-	-	-	-	-	(562)
Additions at Cost	3,603	5,355	-	-	-	231	2,501	111,690	123,380
Transfers from Work in Progress	8,035	9,064	-	680	-	498	6,293	(23,392)	1,178
Transfers between Asset Classes	(36,243)	44,286	-	(55)	-	(5,754)	(2,398)	-	(164)
Disposals	(95)	(71)	-	(147)	-	(22)	(813)	-	(1,148)
Net revaluation adjustments	-	-	27,853	-	(136)	-	-	-	27,717
Assets transferred to other fair level values	-	-	47,892	(47,892)	16,056	(16,056)	-	-	-
Assets transferred to Held for Sale	-	-	-	(290)	-	-	-	-	(290)
Depreciation Expenses	(30,693)	(30,119)	-	-	-	(861)	(6,196)	-	(67,869)
<b>Net Book Value as at 30 June 2016</b>	<b>877,019</b>	<b>744,945</b>	<b>80,611</b>	<b>2,343</b>	<b>15,920</b>	<b>7,451</b>	<b>31,032</b>	<b>225,834</b>	<b>1,985,155</b>

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

### Fair Value Hierarchy

All assets and liabilities for which fair value is measured are categorised within the fair value hierarchy, described as follows, and based on the lowest level inputs that are significant to the fair value measurement as a whole:

- ▶ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- ▶ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### Revaluations

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in net profit in the Statement of Comprehensive Income, in which case the increase is credited to profit to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation is recognised in net profit in the Statement of Comprehensive Income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

In measuring the fair values of fixed assets, Freehold Land and Buildings (inclusive of leasehold improvements) are determined by independent valuers every three to five years, while the fair value of its water and sewerage infrastructure assets is assessed annually, as at the end of each reporting period. The water and sewerage infrastructure assets are assessed more regularly due to the sensitivity of the fair value of these asset classes to changes in data inputs, assumptions and estimates adopted in the valuation technique.

#### Freehold Land and Building Assets

All freehold land and non-infrastructure buildings were valued at 30 June 2016 by Jardine Lloyd Thompson Pty Ltd (JLT) using a fair value approach. The fair value measurement of the freehold land and buildings has been categorised as either Level 2 or Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques. Level 2 of the hierarchy applies where the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

All land and residential buildings were valued utilising the direct comparison approach using evidence derived from the analysis of recent sales of similar properties to the subject property. The sales were analysed on both a sales price per square metre of land area and building area where applicable. The capitalised income approach was utilised where the building would be predominantly bought by investors. The building was assessed by applying a yield to the potential rental return from the building based on market evidence analysed by JLT. Where market based evidence of fair value is not applicable due to the specialised nature of an asset the depreciated replacement cost approach has been used which takes into account physical deterioration, functional, and economic obsolescence. Assets valued using the depreciated replacement cost approach have been categorised as a Level 3 value.

#### Infrastructure Assets

Due to the specialised nature of the Corporation's infrastructure assets, fair value is estimated using the income approach (based on discounted cash flows). This involves discounting the forecast stream of cash flows to both debt and equity investors at a weighted average cost of capital (WACC), which represents an estimated hypothetical market participant's discount rate.

As at 30 June 2017, the Corporation compared the carrying value of infrastructure assets to a range of fair values calculated using the income approach. The range has been established by progressively modelling sensitivities to key significant unobservable inputs to generate a series of future cash flows.

The Corporation's infrastructure asset valuation methodology was reviewed by an independent expert during the financial year. The independent expert considered the approach taken by the Corporation to be in line with Australian accounting standards.

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

Based on the outcomes of the fair values determined under this approach, the Corporation has determined that the existing carrying values are the most representative of the fair value of the water and sewerage infrastructure assets as at the end of the reporting period. As such no valuation adjustment was required.

The fair value of the infrastructure assets have been categorised as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique. Level 3 of the fair value hierarchy applies where there is a lack of an active market for the asset resulting in significant unobservable inputs being used to measure fair value.

The following table shows the key significant unobservable inputs used in the valuation technique and the relationship of each input on fair value measurement of the Corporations infrastructure assets and buildings and improvements located at treatment plants. The Corporation has established upper and lower fair value thresholds for each Cash Generating Unit by progressively modelling the below sensitivities.

Unobservable input	Basis for Inputs 30/06/2016	Basis for Inputs 30/06/2017	Range of Sensitivities to Base Considered	Relationship of unobservable inputs to fair value
<b>Discount Rate</b>	Real pre-tax weighted average cost of capital of 4.75% per annum. The Risk Free Rate of 3.45% was calculated as the simple averages of the 10 year Commonwealth Government bond rate over the previous 40 business days and over the last 10 years rate.	Real pre-tax weighted average cost of capital of 4.55% per annum. The Risk Free Rate of 3.44% was calculated as the simple averages of the 10 year Commonwealth Government bond rate over the previous 40 business days and over the last 10 years rate.	None	The higher the discount rate, the lower the fair value.
<b>Perpetuity Factor</b>	10 year discount period with a terminal value, based on a perpetuity factor of 22.46, applied for subsequent years.	10 year discount period with a terminal value, based on a perpetuity factor of 23.51, applied for subsequent years.	None	The higher the perpetuity factor, the higher the fair value.
<b>Expected revenue growth</b>	Based on most recent revenue forecast and Corporate Plan estimates, incorporating average revenue increases over the discounting period of 3.98% for the Water CGU and 5.27% for the Sewerage CGU.	Based on most recent revenue forecast and Corporate Plan estimates.	Fixed Water Revenue Growth range 3.57% to 3.91% Fixed Sewerage Revenue Growth range 3.50% to 3.84%	The higher the revenue growth rate, the higher the fair value.
<b>Nominal average cost increase</b>	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average cost increase of 2.50% per annum.	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average cost increase of 2.50% per annum.	None	The higher the nominal average cost increase, the lower the fair value.
<b>Nominal Labour increase</b>	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average labour increase of 3.00% per annum.	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average labour increase of 3.00% per annum.	None	The higher the nominal average labour cost increase, the lower the fair value.
<b>Renewal capital expenditure</b>	Capital expenditure as per most recent forecast and Corporate Plan. The renewal spend is split 36% to Water and 64% to sewerage.	Capital expenditure as per most recent forecast and Corporate Plan.	Water Renewal range 14% to 24% Sewerage Renewal range 76% to 86%	The higher the renewal capital spend, the lower the fair value.

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

### Cost Disclosure

AASB 116 'Property, Plant and Equipment' requires that, when an asset class is carried at fair value, disclosure must be made of the carrying amount that would be recognised had it been carried under the cost method.

If property, plant and equipment were measured at depreciated replacement cost the carrying amounts at 30 June 2017 would be as follows:

As at 30 June 2017: Asset Group (\$'000)	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under construction	Total
Depreciated Replacement cost	1,628,153	1,690,521	63,979	28,058	65,543	285,843	3,762,097
Accumulated depreciation	(357,418)	(401,292)	-	(6,338)	(54,345)	-	(819,393)
<b>Net Carrying Amount</b>	<b>1,270,735</b>	<b>1,289,229</b>	<b>63,979</b>	<b>21,720</b>	<b>11,198</b>	<b>285,843</b>	<b>2,942,704</b>

As at 30 June 2016: Asset Group (\$'000)	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under construction	Total
Depreciated Replacement cost	1,611,373	1,658,708	63,749	27,908	61,331	225,834	3,648,903
Accumulated depreciation	(303,274)	(338,482)	-	(6,338)	(41,956)	-	(690,050)
<b>Net Carrying Amount</b>	<b>1,308,099</b>	<b>1,320,226</b>	<b>63,749</b>	<b>21,570</b>	<b>19,375</b>	<b>225,834</b>	<b>2,958,853</b>

The Corporation deemed cost as at 1 July 2014 to be the depreciated replacement cost as noted above. If plant and equipment were measured using the cost model the carrying amounts at 30 June 2017 would be as follows:

As at 30 June 2017: Asset Group (\$'000)	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under construction	Total
Cost	2,904,675	2,556,957	63,979	28,616	66,766	285,843	5,906,836
Accumulated depreciation	(1,633,940)	(1,267,728)	-	(6,896)	(55,568)	-	(2,964,132)
<b>Net Carrying Amount</b>	<b>1,270,735</b>	<b>1,289,229</b>	<b>63,979</b>	<b>21,720</b>	<b>11,198</b>	<b>285,843</b>	<b>2,942,704</b>

As at 30 June 2016: Asset Group (\$'000)	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under construction	Total
Cost	2,887,895	2,525,144	63,749	28,466	62,554	225,834	5,793,642
Accumulated depreciation	(1,579,796)	(1,204,918)	-	(6,896)	(43,179)	-	(2,834,789)
<b>Net Carrying Amount</b>	<b>1,308,099</b>	<b>1,320,226</b>	<b>63,749</b>	<b>21,570</b>	<b>19,375</b>	<b>225,834</b>	<b>2,958,853</b>

## 11. INTANGIBLES

COMPUTER SOFTWARE AND SYSTEMS DEVELOPMENT	2017 \$'000	2016 \$'000
At Cost	24,552	10,646
Accumulated Amortisation	(8,266)	(6,215)
	<b>16,286</b>	<b>4,431</b>

### WORK IN PROGRESS

At Cost	<b>4,023</b>	<b>10,199</b>
<b>Total</b>	<b>20,309</b>	<b>14,630</b>

Intangibles	Software \$'000	Work in Progress \$'000	Total \$'000
Net Book Value as at 1 July 2016	4,431	10,199	14,630
Additions at Cost	183	7,547	7,730
Transfers from Work in Progress	13,723	(13,723)	-
Transfers between Asset Classes	-	-	-
Disposals	-	-	-
Amortisation Expenses	(2,051)	-	(2,051)
<b>Net Book Value as at 30 June 2017</b>	<b>16,286</b>	<b>4,023</b>	<b>20,309</b>
Net Book Value as at 1 July 2015	5,586	3,393	8,979
Additions at Cost	809	7,984	8,793
Transfers from Work in Progress	-	(1,178)	(1,178)
Transfers between Asset Classes	164	-	164
Disposals	(2)	-	(2)
Amortisation Expenses	(2,126)	-	(2,126)
<b>Net Book Value as at 30 June 2016</b>	<b>4,431</b>	<b>10,199</b>	<b>14,630</b>

### Recognition and measurement

#### Acquired separately

Separately acquired intangible assets comprise costs associated with the purchase and development of computer software. Intangible assets are initially recorded at their cost of acquisition. Cost is determined as the purchase value of the asset at the date of acquisition plus costs incidental to the acquisition, including direct labour costs.

#### Internally-generated

Internally-generated intangible assets comprise development costs associated with the development of specific business management systems. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- ▶ The technical feasibility of completing the intangible asset so that it will be available for use or sale
- ▶ The intention to complete the intangible asset and use or sell it
- ▶ The ability to use or sell the intangible asset
- ▶ How the intangible asset will generate probable future economic benefits
- ▶ The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- ▶ The ability to measure reliably the expenditure attributable to the intangible asset during its development.

## 11. INTANGIBLES (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in Statement of Comprehensive Income in the period in which it is incurred.

### Amortisation

Amortisation of intangible assets is calculated on an individually assessed economic life using the straight-line method of amortisation, so as to write off the net cost (or previously revalued amounts) of each asset over its expected useful life. The estimated useful life of computer software is between two and 10 years.

## 12. CURRENT AND NON-CURRENT LIABILITIES

### 12.1 PAYABLES

	2017 \$'000	2016 \$'000
Trade Creditors	9,073	10,975
Accrued Expenses	13,846	11,863
<b>Total</b>	<b>22,919</b>	<b>22,838</b>

### **Recognition and measurement**

#### Trade Creditors

Trade creditors are recognised at amortised cost when the Corporation becomes obliged to make future payments resulting from the purchase of goods and services. Trade creditors are unsecured and are usually settled with 30 days of recognition.

#### Accrued Expenses Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### 12.2 BORROWINGS

All borrowings have been transacted through the Tasmanian Public Finance Corporation (Tascorp), other than a \$500,000 loan provided by one of the Corporation's Owners which was repaid on 26 June 2017. The borrowings from Tascorp are secured by a floating charge over revolving assets and a fixed charge over all other collateral.

	2017 \$'000	2016 \$'000
Current Borrowings	75,784	98,031
Non-current Borrowings	399,118	332,252
<b>Total</b>	<b>474,902</b>	<b>430,283</b>



## 12. CURRENT AND NON-CURRENT LIABILITIES (continued)

### Credit Facilities

At 30 June the Corporation had access to the following finance facilities:

	2017 \$'000	2016 \$'000
<b>MASTER LOAN BORROWING LIMIT - TASCORP</b>		
Facility	560,000	475,000
Less used / committed	(474,902)	(430,283)
<b>Unused Facility</b>	<b>85,098</b>	<b>44,717</b>

### CORPORATE MASTERCARD

Facility	300	300
Less used / committed	(38)	(43)
<b>Unused Facility</b>	<b>262</b>	<b>257</b>

## 12.3 UNEARNED INCOME

	2017 \$'000	2016 \$'000
<b>CURRENT</b>		
Government grants	1,371	1,381
Customer contributions	201	297
Other	114	100
	<b>1,686</b>	<b>1,778</b>
<b>NON-CURRENT</b>		
Government grants	31,205	32,577
<b>Total</b>	<b>32,891</b>	<b>34,355</b>

## 12.4 OTHER LIABILITIES

	2017 \$'000	2016 \$'000
<b>CURRENT</b>		
Provision for Rehabilitation	4,142	1,504
<b>NON-CURRENT</b>		
Provision for Rehabilitation	992	3,787
<b>Total</b>	<b>5,134</b>	<b>5,291</b>

### MOVEMENT IN PROVISION

Opening Balance	5,291	5,114
New provisions raised	296	445
Outflows during the year	(119)	(208)
Re-measurement	(334)	(60)
<b>Closing balance</b>	<b>5,134</b>	<b>5,291</b>

### Recognition and measurement

The Corporation assesses on an annual basis whether there is an obligation to establish a provision for site rehabilitation taking into account plant or other activity which has been decommissioned during the year and plans to decommission in future years. The amount to be provisioned will include the cost of necessary works to rehabilitate the site to conditions nominated in statute or government regulations or to satisfy community or other expectations. When appropriate the future rehabilitation costs may be discounted by a present value technique.

### 13. EMPLOYEE BENEFITS

	2017 \$'000	2016 \$'000
<b>CURRENT</b>		
Annual Leave <sup>(1)</sup>	8,759	8,009
Long Service Leave <sup>(1)</sup>	7,404	6,865
Accrued Day Off <sup>(1)</sup>	231	243
Provision for Restructure <sup>(1)</sup>	3,958	-
Defined Benefit Superannuation - RBF	517	606
	<b>20,869</b>	<b>15,723</b>
<b>NON-CURRENT</b>		
Long Service Leave <sup>(1)</sup>	1,851	2,079
Defined Benefit Superannuation - RBF	8,584	9,619
Defined Benefit Superannuation - Quadrant	510	1,157
	<b>10,945</b>	<b>12,855</b>
<b>Total<sup>(1)</sup></b>	<b>31,814</b>	<b>28,578</b>

<sup>(1)</sup>The employee benefits provision at 30 June 2017 included attributable on-costs and superannuation of \$3,080,623 (2016: \$2,842,949).

#### Recognition and measurement

##### Wages, Salaries, Annual Leave, Long Service Leave, Accrued Days Off and Time in Lieu

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, accrued days off and time in lieu when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits that are expected to be settled within 12 months of the reporting date, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits that are not expected to be settled within 12 months of the reporting date are measured at the present value of the estimated future cash outflows to be made by the Corporation in respect of the services provided at reporting date.

##### Superannuation

The Corporation also contributes to a number of complying accumulated benefits superannuation funds in accordance with the *Commonwealth Superannuation Guarantee (Administration) Act 1992*. Contributions are expensed as they are made.

## 14. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2017 \$'000	2016 \$'000
<b>Directors</b>		
Short-Term	474,777	462,882
Other Long-Term	-	-
Post Employment (superannuation)	44,917	43,975
Termination Benefits	-	-
	<b>519,694</b>	<b>506,857</b>
<b>Other Key Management Personnel</b>		
Short-Term	2,431,131	2,131,693
Other Long-Term	45,914	64,165
Post Employment (superannuation)	220,536	201,172
Termination Benefits	83,742	-
	<b>2,781,323</b>	<b>2,397,030</b>
<b>Total</b>	<b>3,301,017</b>	<b>2,903,887</b>

Further details on the remuneration of key management personnel can be found in the remuneration report which forms part of the Directors' Report.

## 15. SUPERANNUATION AND DEFINED BENEFIT PLAN

### 15.1 INTRODUCTION

The Corporation makes contributions to two defined benefit superannuation plans, Quadrant Superannuation Scheme (Quadrant) and the Retirement Benefits Fund (RBF). Quadrant was transferred into Tasplan with effect from 1 December 2015, via a successor fund transfer that leaves the Corporation's superannuation obligations substantially unchanged. Disclosures regarding employees in RBF and in two sub-funds of Quadrant, namely the Hobart City Council Defined Benefits Fund and the Launceston City Council Fund, are provided below in notes 15.2 to 15.5.

The Corporation also makes superannuation contributions for a number of its employees to another Quadrant sub-fund, the Quadrant Defined Benefits Fund. The Quadrant Defined Benefits Fund is a multi-employer sponsored plan, where the Fund's assets and liabilities are pooled and are not allocated by employer. The actuary is therefore unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 34 of AASB 119 Employee Benefits, the Corporation does not use defined benefit accounting for these contributions.

In addition, the Corporation contributes to other accumulation schemes on behalf of a number of employees. However the Corporation has no ongoing responsibility to fund any deficiencies that may occur in those schemes.

During the year the employer made the required superannuation contributions for all eligible employees to an appropriate complying superannuation fund as required by the *Superannuation Guarantee (Administration) Act 1992*.

### 15.2 DESCRIPTION OF THE DEFINED BENEFIT SUPERANNUATION PLANS

Quadrant and RBF are defined benefit funds where members receive benefits on ceasing employment that are (at least in part) calculated as a multiple of the member's final average salary. Benefits from the Quadrant Fund are paid as lump sums while RBF's benefits may be paid as lump sums or as pensions. No new employees join either of these defined benefit funds.

Quadrant is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* and the *Superannuation Industry (Supervision) Act 1993* such that the fund's taxable income is taxed at a concessional rate of 15 per cent.

## 15. SUPERANNUATION AND DEFINED BENEFIT PLAN (continued)

The Tasmanian Government has undertaken to operate RBF in accordance with the spirit of the Superannuation Industry Supervision (SIS) legislation in a Heads of Government Agreement. As an exempt public sector superannuation fund the Fund is not subject to any minimum funding requirements. RBF is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* such that the Fund's taxable income is taxed at a concessional rate of 15 per cent. RBF also operates under the *Public Sector Superannuation Reform Act 2016* and the *Public Sector Superannuation Reform Regulations 2017*. The Trustee boards of both funds have a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee's roles include administration of the fund; management and investment of the fund assets; and compliance with laws and agreements.

The most significant risks relating to the defined benefits are:

### **Investment risk**

The risk that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall.

### **Salary growth risk**

The risk that wages or salaries will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions.

### **Inflation risk**

The risk that inflation is higher than anticipated, increasing RBF pension payments and the associated employer contributions.

### **Benefit options risk**

The risk that a greater proportion of members who joined RBF prior to 1 July 1994 will elect the pension option, which is generally more costly than the alternative lump sum option.

### **Pensioner mortality risk**

The risk that pensioner mortality is lighter than expected resulting in RBF pensions being paid for a longer period.

### **Legislative risk**

The risk that legislative changes could be made, increasing the cost of providing the defined benefits.

## 15.3 FUNDING ARRANGEMENTS

### **Quadrant**

In 2016-17, the Corporation contributed 12.5 per cent (LCC Defined Benefits Fund) or 11 per cent (HCC Defined Benefits Fund) of relevant employees' gross income to Quadrant to fund the defined benefit obligations. Assets accumulate in the Fund to meet member benefits as they accrue, and if assets within the Fund are insufficient to satisfy benefits payable, the Corporation is required to meet its share of the deficiency.

Rice Warner Pty Ltd undertook the last triennial actuarial review of the Fund at 30 June 2014. The review disclosed that at that time the net market value of assets available for funding member benefits was \$66,310,000, the value of vested benefits was \$57,475,000, the surplus over vested benefits was \$8,835,000, and the value of total accrued benefits was \$58,093,000. These amounts relate to all members of the Fund (not just Corporation employees in the Fund) at the date of valuation. No separate asset or liability is recorded in Quadrant's financial statements for Corporation employees. The financial assumptions used to calculate the accrued benefits for the Fund were a net investment return of 7 per cent per annum and salary inflation of 4 per cent per annum.

The actuarial review concluded that:

1. The value of assets in Quadrant was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2014.
2. The value of the assets of Quadrant was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2014.
3. Based on the assumptions used, and assuming the employers contribute at the levels recommended by the actuary, the value of the assets is expected to continue to be adequate to meet the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2017.

## 15. SUPERANNUATION AND DEFINED BENEFIT PLAN (continued)

For TasWater, the actuary recommended future Corporation contributions of 12.5 per cent of salaries from 1 July 2015 for employees in the LCC Defined Benefits Fund and 11 per cent of salaries from 1 July 2015 for employees in the HCC Defined Benefits Fund. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2017 and is expected to be completed late in 2017.

### RBF

Members entitlements in the RBF are partly funded in advance, to the extent of members' contributions. The balance of the cost of members benefits is post-funded by the Corporation at the time the member receives a benefit. The present value of members accrued superannuation liabilities less the value of the assets in the fund is an unfunded liability.

### 15.4 ACTUARIAL ASSUMPTIONS

As at 30 June 2017, the Corporation's actuaries (GM Actuaries Pty Ltd in the case of Quadrant and Mercer (Australia) Pty Ltd in the case of RBF) conducted a valuation of the Corporation's defined benefit superannuation liabilities. The difference between the value of these benefits and the market value of the assets for the relevant members determines the Corporation's superannuation liability (if fund liabilities exceed the assets) or asset (if fund assets exceed the liabilities). The main actuarial assumptions used to assess the Corporation's superannuation liability or asset were:

Principal Actuarial Assumptions as at Balance Date	Quadrant 2017	Quadrant 2016	RBF 2017	RBF 2016
Discount rate (*)	3.40%	3.10%	4.35%	3.55%
Expected salary increase rate	3.00%	3.00%	3.00%	3.00%
Expected pension increase rate	n/a	n/a	2.50%	2.50%
Expected rate of increase compulsory preserved amounts	n/a	n/a	3.00%	4.50%

(\*) For Quadrant, this is a gross of tax discount rate.

The discount rates have been determined based on the estimated yield of a corporate bond with a duration of 6.1 years (Quadrant) and 15.0 years (RBF), based on the approximate duration of the relevant liabilities. The Corporation's actuaries have also made assumptions regarding the decrement rates (e.g. mortality and retirement rates), based on those used at the most recent actuarial valuation of each fund.

### Sensitivity Analysis of Significant Actuarial Assumptions

The defined benefit obligations for both Quadrant and RBF as at 30 June 2017 under several scenarios are presented below. Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected pension increase rate sensitivity. The defined benefit obligation has been recalculated by changing the assumptions as outlined below, while retaining all other assumptions.

Quadrant	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-0.5% pa discount rate	+0.5% pa discount rate	-1.0% pa pension increase rate	+1.0% pa pension increase rate
Discount rate	3.40% pa	2.90% pa	3.90% pa	3.40% pa	3.40% pa
Pension increase	3.00% pa	3.00% pa	3.00% pa	2.00% pa	4.00% pa
<b>Defined benefit obligation (\$'000s)</b>	<b>15,293</b>	<b>15,623</b>	<b>14,998</b>	<b>14,680</b>	<b>16,106</b>
RBF	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-1.0% pa discount rate	+1.0% pa discount rate	-1.0% pa pension increase rate	+1.0% pa pension increase rate
Discount rate	4.35% pa	3.35% pa	5.35% pa	4.35% pa	4.35% pa
Pension increase	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
<b>Defined benefit obligation (\$'000s)</b>	<b>10,988</b>	<b>12,176</b>	<b>9,993</b>	<b>10,154</b>	<b>11,950</b>

## 15. SUPERANNUATION AND DEFINED BENEFIT PLAN (continued)

### 15.5 DETAILED DISCLOSURES

Assets are not held separately for each entity but are held within each fund for the fund as a whole. For Quadrant, the fair value of the fund assets in respect of Corporation employees is separately identified via Quadrant's administration and accounting records. For RBF, the fair value of fund assets was established by allocating the total fund assets to each entity in proportion to the value of each entity's funded liabilities, calculated using the assumptions outlined in this report. The fair value of fund assets includes no amounts relating to any of the entity's own financial instruments or any property occupied by, or other assets used by, the entity.

Statement of financial position results as at 30 June - Net liability/(asset)	Quadrant		RBF		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Present value of defined benefit obligation at end of year	15,293	15,558	10,988	11,931	26,281	27,489
Less fair value of Fund assets at end of year	14,783	14,401	1,887	1,706	16,670	16,107
Deficit/(surplus)	510	1,157	9,101	10,225	9,611	11,382
Unrecognised past service cost	-	-	-	-	-	-
Unrecognised net (gain)/loss	-	-	-	-	-	-
Adjustment for limitation on net assets	-	-	-	-	-	-
Net superannuation liability/(asset)	510	1,157	9,101	10,225	9,611	11,382
Current net liability/(asset)	-	-	517	606	517	606
Non-current net liability/(asset)	510	1,157	8,584	9,619	9,094	10,776
<b>Total net liability/(asset)</b>	<b>510</b>	<b>1,157</b>	<b>9,101</b>	<b>10,225</b>	<b>9,611</b>	<b>11,382</b>

Expense Recognised in the Statement of Comprehensive Income	Quadrant		RBF		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current service cost	524	433	129	117	653	550
Expense recognised in employee related expenses	524	433	129	117	653	550
Net Interest cost	31	(49)	352	402	383	353
Expense recognised in net financing costs	31	(49)	352	402	383	353
<b>Total Expense recognised in the Statement of Comprehensive Income</b>	<b>555</b>	<b>384</b>	<b>481</b>	<b>519</b>	<b>1,036</b>	<b>903</b>

Amounts Recognised in Other Comprehensive Income	Quadrant		RBF		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cumulative amount of actuarial (gains)/ losses at end of prior year	2,182	(315)	413	(998)	2,595	(1,313)
Actuarial (gains)/losses recognised during the year	(708)	2,497	(1,001)	1,411	(1,709)	3,908
<b>Cumulative amount of actuarial (gains)/ losses at end of current year</b>	<b>1,474</b>	<b>2,182</b>	<b>(588)</b>	<b>413</b>	<b>886</b>	<b>2,595</b>

## 15. SUPERANNUATION AND DEFINED BENEFIT PLAN (continued)

Reconciliation of Fair Value of Scheme Assets	Quadrant		RBF		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fair value of plan assets at beginning of the year	14,401	14,560	1,706	1,882	16,107	16,442
Employer contributions	494	537	603	330	1,097	867
Contributions by plan participants	242	279	49	48	291	327
Taxes and expenses paid	(164)	(146)	(16)	(18)	(162)	(182)
Benefits paid	(1,661)	(1,157)	(782)	(449)	(2,443)	(1,606)
Expected return on plan assets (including interest income)	365	549	327	(87)	692	462
Expected assets at year end	13,695	14,604	1,887	1,706	15,582	16,310
Actuarial gain/(loss) on assets	1,088	(203)	-	-	1,088	(203)
<b>Individual plan assets at year end</b>	<b>14,783</b>	<b>14,401</b>	<b>1,887</b>	<b>1,706</b>	<b>16,670</b>	<b>16,107</b>
Actual return on plan assets <sup>(1)</sup>	1,453	346	327	(87)	1,780	259

<sup>(1)</sup>As separate assets are not held for each entity, the actual return includes any difference in the allocation to each entity.

Present Value of the Defined Benefit Obligations	Quadrant		RBF		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Present value of defined benefit obligations at beginning of the year	15,558	13,374	11,931	10,508	27,489	23,882
Current Service Cost	524	433	129	117	653	550
Interest cost	396	499	410	489	806	988
Contributions by plan participants	242	279	49	48	291	327
Taxes and expenses paid	(146)	(164)	(16)	(18)	(162)	(182)
Benefits paid	(1,661)	(1,157)	(782)	(449)	(2,443)	(1,606)
Expected defined benefit obligations at year end	14,913	13,264	11,721	10,695	26,634	23,959
Actuarial (gain)/loss on liabilities	380	2,294	(733)	1,236	(353)	3,530
<b>Present value of defined benefit obligations at end of the year</b>	<b>15,293</b>	<b>15,558</b>	<b>10,988</b>	<b>11,931</b>	<b>26,281</b>	<b>27,489</b>

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.

Historical information	Quadrant		RBF		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Present value of defined benefit obligation at end of the year	15,293	15,558	10,988	11,931	26,281	27,489
Less fair value of plan assets at end of the year	14,783	14,401	1,887	1,706	16,670	16,107
<b>Deficit/(surplus)</b>	<b>510</b>	<b>1,157</b>	<b>9,101</b>	<b>10,225</b>	<b>9,611</b>	<b>11,382</b>
Experience adjustments loss/(gain) - plan liabilities	574	1,352	343	(190)	917	1,162
Experience adjustments (gain)/loss - plan assets	1,088	(203)	-	-	1,088	(203)

The experience adjustment for Fund liabilities represents the actuarial loss/(gain) due to a change in the liabilities arising from the Fund's experience (e.g. membership movements, salary increases and indexation rates) and excludes the effect of the changes in assumptions (e.g. movements in the bond rate).

### Expected Contributions - Financial Year Ending 30 June 2018

The estimated employer contributions for the following financial year are \$465,000 to Quadrant and \$517,000 to RBF.

### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for the Corporation is 6.1 years for Quadrant and 10.3 years for RBF.

## 16. FINANCIAL INSTRUMENTS

### 16.1 MANAGING FINANCIAL RISK

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Corporation uses different methods to measure and manage the different financial risks. The Board has the primary responsibility to set appropriate policies to manage these risks. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

### 16.2 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Categories of financial assets and financial liabilities at balance date were:

Financial Instruments	30 June 2017 Carrying Amount \$'000	30 June 2016 Carrying Amount \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	2,852	2,748
Receivables	49,789	41,937
<b>Total Financial Assets</b>	<b>52,641</b>	<b>44,685</b>
<b>Financial Liabilities</b>		
Payables at amortised cost	22,919	22,838
Borrowings at amortised Cost	474,902	430,283
<b>Total Financial Liabilities</b>	<b>497,821</b>	<b>453,121</b>

#### Recognition and measurement

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

#### A. Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through the Statement of Comprehensive Income', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The Corporation does not currently hold, nor is it likely to hold, any financial assets classified 'at fair value through the Statement of Comprehensive Income' or 'held-to-maturity' investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Effective interest method

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

#### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables exclude statutory receivables.

#### Impairment of financial assets

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

#### B. Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through the Statement of Comprehensive Income' or 'other financial liabilities'. Currently the Corporation does not hold financial liabilities classified 'at fair value through the Statement of Comprehensive Income'.



## 16. FINANCIAL INSTRUMENTS (continued)

### Other financial liabilities

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

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

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

### 16.3 INTEREST RATE RISK

The objectives of the Corporation's interest rate risk management policy are to contain the potential adverse financial impact from unfavourable movements in interest rates, predominantly associated with interest bearing liabilities, and to capture the potential for reducing costs by management of the Corporation's debt. The Corporation's interest rate risk is managed by setting borrowings with terms and maturity structures which reflect the medium and longer term capital requirements and tariff structures of the Corporation. The aim of interest rate risk management is to minimise the longer term cost of borrowings by adopting debt portfolio maturities and to spread debt between fixed and floating instruments. Debt is sourced from Tascorp and is managed within a range of Board approved limits with debt levels and interest being monitored regularly. The Corporation has not engaged hedging as part of its financial risk management strategy.

The Corporation has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rates.

The following table details the Corporation's exposure to interest rates risk as at 30 June 2017.

As at 30 June 2017	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest rate
		< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000			
<b>Financial Assets</b>							
Cash at Bank	2,852	-	-	-	-	2,852	1.75%
Receivables	-	-	-	-	49,789	49,789	-
<b>Total</b>	<b>2,852</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,789</b>	<b>52,641</b>	<b>-</b>
<b>Financial Liabilities</b>							
Payables	-	-	-	-	(22,919)	(22,919)	-
Borrowings	(23,150)	(52,634)	(218,213)	(180,905)	-	(474,902)	4.61%
<b>Total</b>	<b>(23,150)</b>	<b>(52,634)</b>	<b>(218,213)</b>	<b>(180,905)</b>	<b>(22,919)</b>	<b>(497,821)</b>	
<b>Net Financial (Liabilities) Assets</b>	<b>(20,298)</b>	<b>(52,634)</b>	<b>(218,213)</b>	<b>(180,905)</b>	<b>26,870</b>	<b>(445,180)</b>	<b>-</b>

## 16. FINANCIAL INSTRUMENTS (continued)

As at 30 June 2016	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest rate
		< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000			
<b>Financial Assets</b>							
Cash at Bank	2,748	-	-	-	-	2,748	2.00%
Receivables	-	-	-	-	41,937	41,937	-
<b>Total</b>	<b>2,748</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,937</b>	<b>44,685</b>	<b>-</b>
<b>Financial Liabilities</b>							
Payables	-	-	-	-	(22,838)	(22,838)	-
Borrowings	(46,900)	(51,131)	(160,483)	(171,269)	(500)	(430,283)	4.87%
<b>Total</b>	<b>(46,900)</b>	<b>(51,131)</b>	<b>(160,483)</b>	<b>(171,269)</b>	<b>(23,338)</b>	<b>(453,121)</b>	<b>-</b>
<b>Net Financial (Liabilities) Assets</b>	<b>(44,152)</b>	<b>(51,131)</b>	<b>(160,483)</b>	<b>(171,269)</b>	<b>18,599</b>	<b>(408,436)</b>	<b>-</b>

The table above highlights that the Corporation's total exposure to variable interest rates at 30 June 2017 was a net liability of \$20,297,616 (2016: \$44,152,123).

There is sufficient volatility in interest rates and it is reasonably possible rates may change over the next 12 months. The table below shows the impact on profit after tax and equity of a 0.50 per cent increase and a 0.50 per cent decrease in interest rates.

Interest Rate Sensitivity	30 June 2017		30 June 2016	
	Profit after tax higher/(lower) 0.5% increase \$'000	Profit after tax higher/(lower) 0.5% decrease \$'000	Profit after tax higher/(lower) 0.5% increase \$'000	Profit after tax higher/(lower) 0.5% decrease \$'000
Cash and Cash Equivalents	10	(10)	10	(10)
Interest Bearing Liabilities - Variable	(81)	81	(164)	164
<b>Total</b>	<b>(71)</b>	<b>71</b>	<b>(154)</b>	<b>154</b>

## 16. FINANCIAL INSTRUMENTS (continued)

### 16.4 CREDIT RISK

Exposure to credit risk arises from the potential default of a counterparty, with respect to the Corporation's financial assets. Financial assets include cash and cash equivalents, trade and other receivables. As identified in Note 16.2, the Corporation's maximum exposure to credit risk at reporting date was \$50,168,745 (2016: \$44,685,272).

Credit risk is measured at fair value. All receivable balances are monitored on an ongoing basis. Trade receivables consist of a large number of customers and industries over the region. The Corporation does not hold any collateral over any trade receivable.

For cash at bank it is the Corporation's policy to only deal with Australian banks with a minimum Standard and Poor's long term credit rating of A. The rating of counterparties are monitored on an ongoing basis.

Provision for impairment is recognised for receivables when there is objective evidence that the receivable is uncollectable. Usually this refers to default of payment, customer hardship or other financial difficulty.

The ageing of the Corporation's receivables at reporting date was:

Receivables	30 June 2017		30 June 2016	
	Gross \$'000	Impaired \$'000	Gross \$'000	Impaired \$'000
Not past due	40,718	(1,386)	37,400	(1,050)
0 - 30 Days	4,019	(311)	3,458	(264)
31 - 60 Days	807	(60)	918	(91)
61 - 90 Days	819	(83)	1,007	(122)
91 Days and over	7,436	(2,170)	3,156	(2,475)
<b>Total</b>	<b>53,799</b>	<b>(4,010)</b>	<b>45,939</b>	<b>(4,002)</b>

### 16.5 LIQUIDITY RISK

Liquidity Risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

While the Corporation has a negative working capital position of \$66,008,535 at 30 June 2017 its operating cash flows are strong. The deficiency in working capital is due to the existence of current borrowings of \$75,783,700 with short term maturities. These debt maturities will be refinanced in line with the Corporation's treasury policy which seeks to spread interest rate risk by having 1/10th of the portfolio repricing on an annual basis. If the current borrowings are excluded the working capital is \$9,775,165.

The following tables identify the contractual maturities on rollover of financial liabilities at reporting date. The figures are undiscounted cash flows, including both principal and interest payments.

As at 30 June 2017	3 months or less \$'000	3 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	> 5 years \$'000	Total \$'000
Payables	22,919	-	-	-	-	22,919
Borrowings	28,778	65,036	65,685	199,797	195,352	554,648
<b>Total</b>	<b>51,697</b>	<b>65,036</b>	<b>65,685</b>	<b>199,797</b>	<b>195,352</b>	<b>577,567</b>

As at 30 June 2016	3 months or less \$'000	3 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	> 5 years \$'000	Total \$'000
Payables	22,838	-	-	-	-	22,838
Borrowings	61,285	53,449	66,900	136,834	189,308	507,776
<b>Total</b>	<b>84,123</b>	<b>53,449</b>	<b>66,900</b>	<b>136,834</b>	<b>189,308</b>	<b>530,614</b>

## 16. FINANCIAL INSTRUMENTS (continued)

### 16.6 FOREIGN EXCHANGE RISK

The Corporation is exposed to an insignificant foreign currency risk relating to purchases of supplies and consumables from overseas. While there is a limited amount of purchases denominated in foreign currencies the risk is further reduced by a short term time frame between commitment and settlement. Should a significant foreign currency exposure arise the Corporation is authorised to enter into a derivative instrument to limit the effect of foreign currency movements. The Corporation did not enter into any derivative instruments during the year.

### 16.7 NET FAIR VALUE

At balance date the Corporation did not hold any financial instruments which have been measured at fair value and recognised on the Statement of Financial Position. At 30 June the Corporation was not carrying any financial assets or liabilities which were tradeable on an active market with reference to quoted market prices. The Corporation had not entered into any derivatives or forward foreign currency contract at balance date. Accordingly there are no financial instruments to report in the Level 1, 2 or 3 of the fair value hierarchy for 30 June 2016. The Corporation has not disclosed a movement schedule for Level 3 items in the hierarchy as there have been no transactions for the year ended 30 June 2016. The fair value of financial assets and financial liabilities at year end were:

Category	30 June 2017		30 June 2016	
	Total carrying amount per the Statement of Financial Position \$'000	Aggregate net fair value \$'000	Total carrying amount per the Statement of Financial Position \$'000	Aggregate net fair value \$'000
<b>FINANCIAL ASSETS</b>				
Cash at Bank	2,852	2,852	2,748	2,748
Receivables	49,789	49,789	41,937	41,937
<b>Total</b>	<b>52,641</b>	<b>52,641</b>	<b>44,685</b>	<b>44,685</b>
<b>FINANCIAL LIABILITIES</b>				
Borrowings	474,902	488,402	430,283	455,448
Payables	22,919	22,919	22,838	22,838
<b>Total</b>	<b>497,821</b>	<b>511,321</b>	<b>453,121</b>	<b>478,286</b>

The methods and assumptions used to determine these net fair values of the financial assets and liabilities are as follows:

**Cash, cash management and term deposits** – the carrying amount approximates fair value due to the short-term nature of the instrument;

**Receivables, trade creditors and accruals** – the carrying amount approximates fair value;

**Borrowings** - are carried at amortised cost which is different to net fair value due to market rate sensitivity of the debt portfolio as at 30 June 2017. Borrowings held until maturity are paid at the carrying amount.

### 16.8 CAPITAL MANAGEMENT POLICY

The Corporation has established a Capital Expenditure Program necessary to achieve our business and Regulatory objectives as outlined within our Price and Service Plan (2017-18 to 2019-20) and our Long Term Strategic Plan (2017-18 to 2036-37). The Corporation manages capital to achieve those objectives within financially prudent gearing thresholds while being mindful of providing acceptable returns to shareholders.

## 17. RELATED PARTY DISCLOSURES

### 17.1 BOARD DIRECTORS

The Board Directors during the financial year ended 30 June 2017 and up to the date of this report were:

- ▶ Mr Miles Hampton (Chair)
- ▶ Mr Nick Burrows
- ▶ Ms Sibylle Krieger
- ▶ Mr Peter Lewinsky
- ▶ Ms Sally Darke
- ▶ Mr Vincent (Tony) Kelly
- ▶ Dr Helen Locher.

### 17.2 KEY MANAGEMENT PERSONNEL AND DIRECTOR TRANSACTIONS

There were no loans made by the Corporation to key management personnel and their related parties during the financial year.

Some key management personnel, or their related parties, transacted with the Corporation in the reporting period as owners of properties to which the Corporation provides water and sewerage services. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel.

There were no related party transactions requiring disclosure.

## 18. COMMITMENTS

### 18.1 CAPITAL COMMITMENTS

Capital commitments as at 30 June 2017 but not provided for in the financial statements were as follows:

	2017 \$'000	2016 \$'000
Payments within 1 year	78,545	30,754
Payments 1-5 years	774	-
Payments longer than 5 years	-	-
<b>Total</b>	<b>79,319</b>	<b>30,754</b>

### RECONCILIATION OF CAPITAL COMMITMENTS

Buildings and infrastructure	78,874	26,225
Plant and equipment	80	146
Intangibles	365	4,377
Other	-	6
	<b>79,319</b>	<b>30,754</b>

## 18. COMMITMENTS (continued)

### 18.2 LESSEE EXPENDITURE COMMITMENTS

	2017 \$'000	2016 \$'000
Lease payments expensed during the period	1,180	1,056
<b>Operating Lease Commitment</b>		
Payments within 1 year	999	983
Payments 1-5 years	2,778	2,422
Payments longer than 5 years	2,184	2,434
<b>Total</b>	<b>5,961</b>	<b>5,839</b>

Future lease commitments represent payments due on current operating leases for the Corporation's office accommodation, information technology, office equipment and motor vehicles. The IT and office equipment leases are cancellable but incur a penalty of the present value of future lease payments. There is no documented option to purchase the leased assets on expiry of the leases.

### 18.3 LESSOR INCOME AGREEMENTS

	2017 \$'000	2016 \$'000
Lease income recognised during the period	415	445
<b>Operating Lease Commitment</b>		
Income within 1 year	407	345
Income 1-5 years	954	992
Income longer than 5 years	304	583
<b>Total</b>	<b>1,665</b>	<b>1,920</b>

Future lease commitments represent income receivable in relation to operating leases for office accommodation and land.

## 19. CONTINGENT ASSETS/LIABILITIES

The Corporation was not aware of any contingent assets or liabilities at the time of finalising the financial report other than the items listed below.

### Damages from Contractor

Prior to 30 June 2009 an Owner Council dismissed a contractor who had been engaged to design and construct a sewage treatment plant. The contractor took action against the Council, with Ben Lomond Water becoming involved after 1 July 2009. The dispute moved to arbitration and Ben Lomond Water was awarded damages in the amount of \$1.346 million. A significant proportion of that amount was previously estimated to be due to design defects and covered by a relevant insurance policy held by the contractor. The contractor subsequently entered into voluntary administration. Following a meeting of the creditors, and a subsequent application by TasWater to the Federal Court, a Liquidator was appointed. The Liquidator agreed to, and TasWater funded, litigation against the insurer for recovery of the insured portion of the damages awarded at arbitration. The matter went to hearing in early April 2017 and in late June 2017 the Court ordered that the insurer pay an amount of \$1.786 million to TasWater, plus costs. In early July 2017 the insurer advised its intention to appeal to the Full Court of the Federal Court. Due to the pending appeal the awarded amount has not been recognised in these accounts.

## 20. REMUNERATION OF AUDITORS

	2017 \$'000	2016 \$'000
<b>FINANCIAL STATEMENT AUDIT SERVICES</b>		
Annual external statutory audit fee	126	117
Annual external regulatory audit fee	15	-
	<b>141</b>	<b>117</b>

# LIST OF ACRONYMS AND ABBREVIATIONS

Term	Description
<b>AAR</b>	Audit and Risk Committee
<b>ADWG</b>	Australian Drinking Water Guidelines
<b>AMIS</b>	Asset Management Information System
<b>AMP</b>	Asset Management Plan
<b>ANCOLD</b>	Australian National Committee of Large Dams
<b>ASX</b>	Australian Securities Exchange
<b>AWA</b>	Australian Water Association
<b>BWA</b>	Boil water alert (public health alert)
<b>CEMP</b>	Construction Environmental Management Plan
<b>CEO</b>	Chief Executive Officer
<b>CWC</b>	Capital Works Committee
<b>DHHS</b>	Department of Health and Human Services
<b>DNC</b>	Do not consume (public health alert)
<b>DWQMP</b>	Drinking Water Quality Management Plan
<b>EPA</b>	Environment Protection Authority
<b>FSMS</b>	Field Service Management System
<b>FY</b>	Financial year
<b>GIS</b>	Geographic information system
<b>GST</b>	General sales tax
<b>ISO 555001</b>	Framework for an asset management system to manage the life cycle of a business' assets
<b>LTIFR</b>	Lost Time Injury Frequency Rate

Term	Description
<b>NATA</b>	National Association of testing Authorities, Australia
<b>NOC</b>	Network Operations Centre
<b>ORG</b>	Owners' Representatives Group
<b>OTTER</b>	Office of the Tasmanian Economic Regulator
<b>PHA</b>	Public health alert
<b>PLL</b>	Potential Loss of Life
<b>PSP2</b>	Price and Service Plan July 2015-June 2018
<b>PSP3</b>	Price and Service Plan July 2018-June 2021
<b>Q1</b>	Quarter 1 of financial year
<b>Q2</b>	Quarter 2 of financial year
<b>Q3</b>	Quarter 3 of financial year
<b>Q4</b>	Quarter 4 of financial year
<b>SAMP</b>	Strategic Asset Management Plan
<b>SCADA</b>	Supervisory control and data acquisition
<b>SPS</b>	Sewage pumping station
<b>STP</b>	Sewage treatment plant
<b>UTAS</b>	University of Tasmania
<b>WIOA</b>	Water Industry Association of Australia
<b>WSCA</b>	<i>Water and Sewerage Corporation Act 2012</i> (Tas)
<b>WTP</b>	Water treatment plant







*Front and rear cover: Lake Barrington in Tasmania's north-west.  
Image courtesy of Rowing Tasmania.*



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