

24

HOURS A DAY


07

DAYS A WEEK

365

DAYS A YEAR

Managing Tasmania's
most precious resource.



The careful and effective management of Tasmania's most precious resource is a role we take very seriously, because water is an essential part of every Tasmanian's life.

For our homes, our agriculture, our industry, our health and even our enjoyment - we all depend on the ready supply of quality drinking water, and efficient removal and treatment of sewage.

Our economy depends on it.
Our ecosystems depend on it.
Tasmania's clean, natural brand depends on it. Our lives depend on it.
24 hours a day, 7 days a week,
365 days a year.



Contents

Welcome			
About TasWater	2		
From the Chairman	4		
From the CEO	6		
Our Performance	9		
Our performance	10		
Our year in review	14		
Customers and Community	17		
Customer communications	18		
Resolving customer complaints	18		
Customer billing	18		
Customer service	18		
Community engagement	20		
Customer service standards	20		
Case study: Kangaroo Bay underwater sewer main replacement	21		
Water and Environment	23		
Drinking water quality	24		
24glasses – Regional Towns Water Supply Program	25		
Trade waste	25		
Environmental improvement initiatives	26		
Environmental reporting and performance	28		
Dam safety	28		
Case study: fireflies and water system hygiene	29		
Our People and Culture	31		
Safety performance	32		
Zero Harm	32		
Improving safety	32		
Building our leadership capability	33		
The Go Lead program	33		
People Leaders' forums	33		
Building our technical capability	34		
Certificate III in Water Treatment traineeship program	34		
Dam safety improvement program	34		
Steve Balcombe scholarship	34		
TasWater internship program	34		
Recognition and reward for employees	34		
Australian Water Association Young Professional of the Year	34		
Case study: TasWater internship program	35		
Commercial and Economic	37		
Productivity improvement	38		
Innovation	40		
Capital delivery	40		
Case study: Smithton de-sludging and re-use project	41		
Governance	43		
Legislative authority	44		
Principal activities	44		
Role of the Board	44		
Corporate governance framework	44		
Board structure	45		
Directors' meeting attendance 2017-18	45		
Directors' background and terms of appointment	46		
Audit and Risk committee	49		
Capital Works Committee	49		
Environment and Public Health Committee	49		
Board Selection Committee	49		
Corporate governance disclosure obligations	50		
Financial Report	55		
Directors' report	56		
Auditor's independence declaration	62		
Directors' declaration	64		
Independent Auditor's report	65		
Financial statements	70		
Notes to the financial statements	74		
Acronyms	107		

About TasWater

TasWater is an incorporated company providing water and sewerage services to homes and businesses across Tasmania. We source, treat and deliver reliable, quality water to our customers. We collect, transport and treat sewage and safely return it to the environment.

We were established under the *Water and Sewerage Corporation Act 2012* and the *Corporations Act 2001*, and commenced operations on 1 July 2013. We operate under a range of legislative and regulatory instruments, including:

- *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 loan guarantee fees.

Our key regulators are:

- The Tasmanian Economic Regulator (TER)
- The Environment Protection Authority (EPA)
- The Department of Health (DoH)
- The Department of Primary Industries, Parks, Water and Environment (DPIPWE).

Owners' Representatives Group

The Owners' Representatives Group (ORG) comprises 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 Owners' Representatives Group Charter.

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 (part year) Mayor Alwyn Boyd (part year)
Central Coast Council	Mayor Jan Bonde
Central Highlands Council	Deputy Mayor Lana Benson
Circular Head Council	Deputy Mayor Jan Bishop
City of Hobart Council	Lord Mayor Alderman Sue Hickey (part year) Lord Mayor Alderman Ron Christie (part year)
City of Launceston Council	Mayor Albert van Zetten
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	Commissioner Sue Smith (part year) Mayor Kristie Johnston (part year)
Huon Valley Council	Commissioner Adriana Taylor
Kentish Council	Mayor Don Thwaites
Kingborough Council	Mayor Steve Wass
King Island Council	Councillor Royce Conley
Latrobe Council	Mayor Peter Freshney
Meander Valley Council	Mayor Craig Perkins
Northern Midlands Council	Mayor David Downie ¹
Sorell Council	Mayor Kerry Vincent
Southern Midlands Council	Mayor Tony Bisdee OAM ²
Tasman Council	Deputy Mayor Kelly Spaulding
Waratah-Wynyard Council	Mayor Robby Walsh
West Coast Council	Mayor Phil Vickers
West Tamar Council	Councillor Richard Ireland

¹ Chief Representative

² Deputy Chief Representative





Mr Miles Hampton, Chairman

From the Chairman

I am pleased to present the 2017-18 TasWater Annual Report on behalf of the TasWater Board.

In our fifth year of operation significant improvements were recorded across the core business areas of water quality and service delivery, sewage compliance and sewerage service delivery. Industry-leading innovations were achieved in the areas of water quality testing and field operations.

Our net profit after tax of \$42.7 million exceeded the 2016-17 result of \$25.8 million. This positive result supports the progress and attainment of our \$1.55 billion Long Term Strategic Plan (LTSP), which will reach fruition in 2026.

Under the LTSP, TasWater will address a range of infrastructure challenges across the state. The plan strives to balance our customers' needs for affordable bills and responsive service with building capacity in our water and sewerage networks, supporting projected commercial and residential growth, while simultaneously working to reduce our environmental impacts.

The focus on improved efficiency continued during the year, with cost reduction initiatives implemented across the business. The resultant savings will enable us to keep future price rises lower than would otherwise have been the case.

We delivered a total of \$164.2 million in capital improvements across the state during 2017-18, with substantial progress made on our single largest project to date, the \$51 million Kingborough Sewerage Upgrade Program.

Our priority of removing Public Health Alerts (PHAs) from regional towns across the state continued, with a further 14 townships now able to enjoy safe, quality drinking water straight from the tap. We are on track to remove PHAs from all remaining townships, with their water supply upgrades due for completion by the end of August 2018.

For a large part of the financial year, we found ourselves defending our record in the debate about the future ownership of TasWater. As a business we responded strongly and made a number of presentations to the Upper House Select Committee who found that the case for a change in ownership had not been made. This finding was subsequently endorsed when the Upper House rejected the proposed takeover in November 2017.

Managing the ownership debate absorbed considerable resources from across the business, so we were pleased when a Memorandum of Understanding (MOU) between State Government, our Owners' Representative Group and TasWater was signed in May 2018.

Subject to approval by councils and parliament, the implementation of the principles set out in the MOU will bring the ownership debate to an end, with TasWater remaining a corporation governed by an independent, skills-based board with a continued focus on customer affordability and service reliability. The State Government will, in turn, inject \$200 million in equity into TasWater over the next 10 years, and become a 10 per cent shareholder in the business by the end of the period.



Kane Brooks and Robert Emery undertaking reticulation works in Shearwater.

During May 2018, we welcomed the final determination of the Tasmanian Economic Regulator (TER) on our third Price and Service Plan (PSP3) for the period 1 July 2018 to 30 June 2021. The PSP3 was prepared after extensive community consultation and input from key stakeholders, and we were pleased that the TER accepted the majority of initiatives put forward.

The TER also acknowledged that if TasWater is to operate under a full cost recovery model, prices would have to rise by approximately eight per cent. However, recognising customer affordability as a key concern, the TER capped maximum rises to 4.6 per cent – with TasWater

opting to further reduce this to 4.1 per cent. Should the principles of the MOU with State Government be implemented, price rises will be further reduced. Final approval of the PSP3 was received in late June 2018.

2017-18 has been full of challenges, and I express the appreciation of the Board for the extraordinary efforts of our team to deliver improved services – despite significant external scrutiny throughout much of the year. The ongoing commitment and professionalism of our people has allowed us to deliver improved results across the business, and positioned us for continued success.

One of the biggest challenges facing TasWater for 2018-19 and beyond is the expanded capital works program. The Board has approved a new approach utilising internal and external resources that will help us meet its demands on planning, design and project delivery to the maximum extent possible.

Lastly, this year saw the retirement of Sibylle Krieger, one of our founding Board members. Her knowledge of the utility sector, background in regulation and governance and business experience has been invaluable. I place on record the important contribution she has made to TasWater, especially during our challenging formative period.

Mr Miles Hampton,
Chairman



Michael Brewster, CEO

From the CEO

Foundation building is behind us. We are now entering an exciting period, well-positioned to deliver on our vision over the next five years.

Customers and community

TasWater continues with our commitment to deliver on the promises we have made to our customers and the broader Tasmanian community.

During 2017-18 we increased our efforts to communicate and engage with our customers in ways that are convenient and meaningful to them. This has included significant research to track and understand their expectations.

Our customer satisfaction levels are currently tracking at 94.8 per cent, as compared to our target of 80 per cent. Similarly, the State of the Industry Report released in March 2018 showed that 89.1 per cent of enquiries to our call centre were answered within 30 seconds in 2016-17, exceeding both our target of 85 per cent, and the national median of 69 per cent.

While almost all other customer metrics improved, the total number of complaints did not. The majority of our complaints are related to discoloured water and this will continue to be a key focus area for the coming year.

People and culture

The hallmark of a great business is one which innovates to deliver even better services for its customers. In May 2018, seven of our people were selected by assessors at the national water symposium OzWater to present their innovations. This level of recognition was nationally significant and reflects the capability we have at TasWater.

Safety performance was disappointing for the year despite significant focus on safety in the field. This reinforces the need for further investment in our Zero Harm program.

We continue to invest in developing the people and skills necessary for a sustainable Tasmanian water and sewerage industry. Initiatives in 2017-18 supporting this approach include our Go Lead program and People Leaders' Forum.

Water and environment

As noted in the Chairman's report, it was pleasing to see solid progress being made on our program to remove PHAs across the state.

We continue with our program of rationalising our dispersed and varied assets. One example with substantial environmental benefits is the \$51 million Kingborough Sewerage Upgrade Program, which sees four smaller sewage treatment plants (STPs) consolidated into a single plant. Wherever feasible we are looking to reduce the number of operating plants to reduce costs.

Dam safety remains a focus for the business, with the number of dams plotting above the Australian National Committee on Large Dams (ANCOLD) limit of tolerability (LoT) for societal risk currently standing at nine, as opposed to 10 in 2016-17. We are monitoring all dams above this limit to mitigate risk and ensure public safety. We have embarked on a staged program of upgrades for those dams used for drinking water supplies, and priority-based decommissioning of dams that fall outside this purpose.

We implemented a Sewerage Optimisation Program in January 2017 to improve deliverables from our existing infrastructure. During 2017-18 we achieved 85 per cent volumetric compliance, just below the target of 87 per cent.



Building Ringarooma's new reservoir, as part of 24glasses - Regional Towns Water Supply Program.

To further assist our commercial customers in their journey towards compliance, we have implemented a Trade Waste Customer Support Program to help Tasmanian-owned small businesses cover the cost of installing or upgrading their trade waste pre-treatment systems.

Commercial and economic

Continuing the focus on improved operational efficiency, we have

generated more than \$20 million in ongoing cost reductions since our establishment in 2013, including \$10.1 million from the 2017-18 financial year.

As we build new infrastructure or upgrade existing non-compliant infrastructure, our operating costs rise and we strive to offset these cost increases with efficiency gains to ensure our customers' bills remain as low as possible.

The focus on efficiency will continue with additional savings anticipated in the years ahead.

I want to thank the Board for its support and clear direction through the course of the year, the Executive team for its leadership and commitment to our goals, and our people for their passion and commitment to meeting the needs of our customers 24|7|365.

Michael Brewster,
CEO



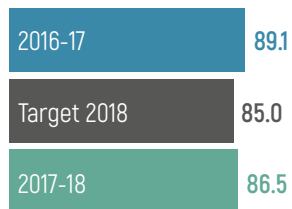
Our Performance

Working towards trust and respect

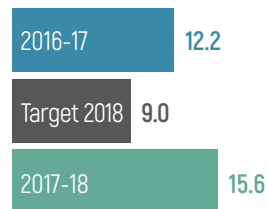
TasWater tracks a broad range of performance indicators to ensure we are making gains in our journey to become a trusted and respected provider of essential services that is making a positive difference to Tasmania.

Customers & Community

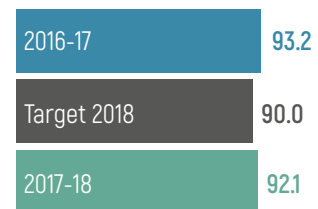
Calls answered within 30 seconds (%)



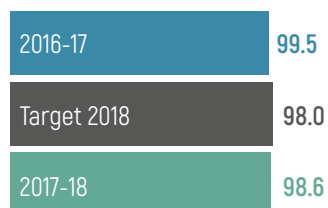
Total complaints per 1,000 connected properties



Complaints processed within 10 business days (%)



Development applications processed within 10 business days (%)

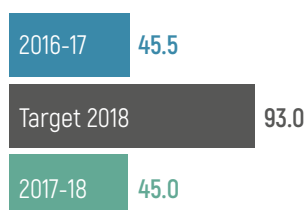


Building and plumbing applications processed within 10 business days (%)

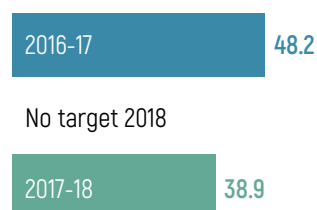


Service interruption and response

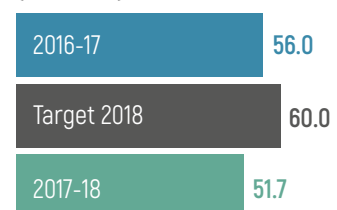
Sewer main breaks and chokes per 100 kilometres



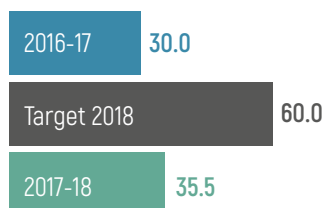
Water main breaks per 100 kilometres



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



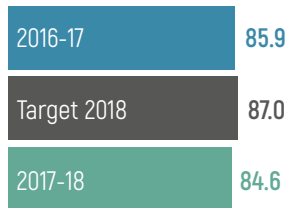
Average time to attend priority 1 bursts and leaks (minutes)



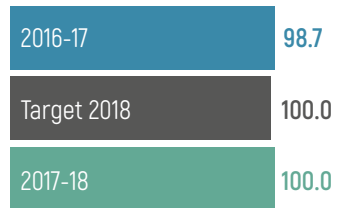
Water & Environment

Wastewater compliance

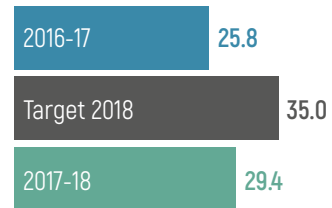
Treated volume compliant with EPA requirements (%)



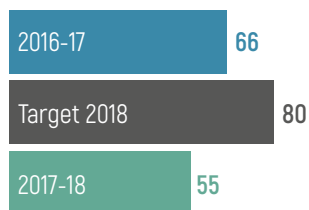
Trade waste customers with current consent/contracts (%)



Industrial trade waste compliance by volume (%)

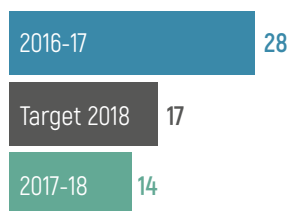


Reportable dry weather sewage spills

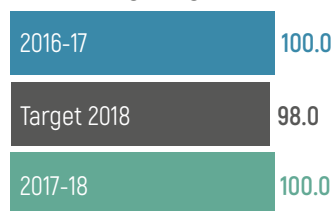


Drinking water compliance

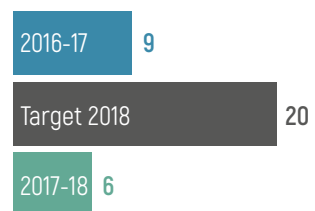
Towns subject to Public Health Alerts (PHAs)



Drinking water systems compliant with ADWG microbiological guidelines (%)



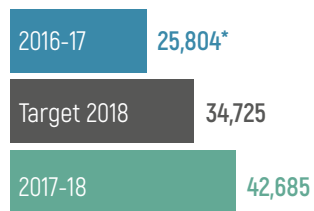
E. coli detections



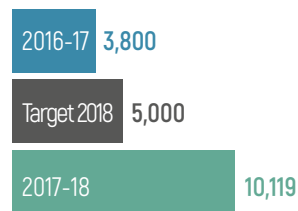
Commercial & Economic

Financial performance

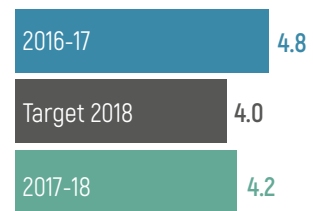
Net profit after tax (\$000s)



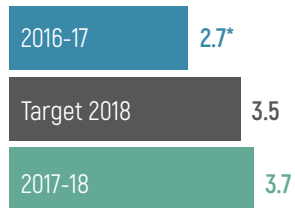
Sustainable cost savings (\$000s)



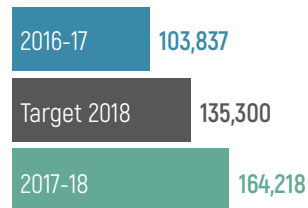
Total overdue debt as percentage of rolling revenue



Interest cover ratio



Capital expenditure (\$000s)

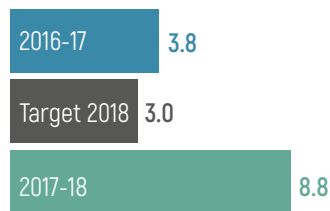


*Figures adjusted from prior published results following adjustment to 2016-17 depreciation expense.

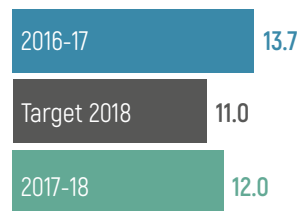
People & Culture

Safety performance

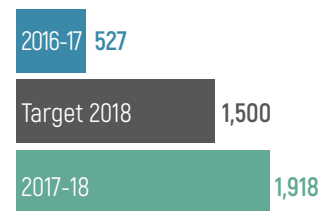
Lost Time Injury Frequency Rate



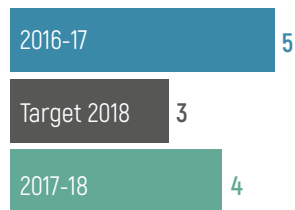
Total Recordable Injury Frequency Rate



Safety interactions

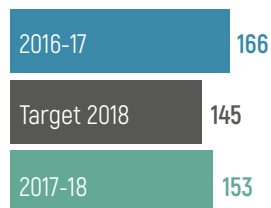


Notifiable incidents



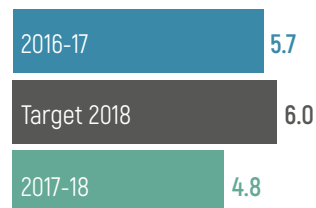
Annual leave taken

Number of employees with leave balances in excess of 40 days



Sick leave

Average sick days per FTE



Workforce numbers

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



July 2017

- Removal of Boil Water Alerts (BWAs) from Mole Creek, Lady Barron, Ringarooma and Legerwood and lifting of Do Not Consume notice (DNC) from Avoca – all part of the 24glasses – Regional Towns Water Supply Program (RTWSP)
- Aesthetic Task Force established to provide the best possible drinking water to our customers by mitigating aesthetic water quality issues
- Exceeded productivity savings targets for the second year in a row
- Construction commenced on the \$51 million Kingborough Sewerage Upgrade Program.

August 2017

- BWAs removed in Derby and Branxholm, and DNC lifted in Winnaleah, part of 24glasses – RTWSP
- TasWater exhibited at National Science Week in Hobart, sharing knowledge about the impact of climate change on urban water cycles
- TasWater released its first Long Term Strategic Plan (LTSP), providing a blueprint for the organisation's operations from 2017 to 2037
- \$20,000 awarded to seven Tasmanian community groups as part of TasWater's 2017 Community Small Grants Program, aimed at building stronger communities
- TasWater engineers participated in Launceston City Council's Engineering Young Minds event, designed to give students exposure to key industry skills and learn about relevant career paths.

October 2017

- Over 50 TasWater staff recognised for training and education across the state, having undertaken diplomas and certificates in water operations, work health and safety, human resources and project management
- \$1.1 million upgrade to Richmond's Torrens Street sewage pump station (SPS) completed
- TasWater's Go Lead program launched, a customised six-month course designed to hone the skills of aspiring leaders within the organisation.

December 2017

- TasWater Senior Engineer Asset Strategy Rebecca Sayles won the Australian Water Association's (AWA) Tasmanian Young Water Professional
- Robert MacDonald, one of the team responsible for maintaining Hobart's sewage pumping network, won the Water Industry Operators Association (WIOA) award for Tasmanian Young Operator of the Year, while David Stacey from the Burnie Service Delivery team was named Tasmanian Operator of the Year.

November 2017

- Hobart's Ridgeway Reservoir celebrated 100 years since its completion on 21 November 1917
- Gretna's BWA removed as part of 24glasses – RTWSP
- Ti Tree Bend sewage treatment plant (STP) digester cleansing completed
- Successful implementation of TasWater's scheduling and dispatch capability, providing a rapid response mechanism for customers experiencing a service interruption.

March 2018

- Dr Stephen Gumley AO appointed as a Director of TasWater, replacing outgoing Director Sibylle Krieger
- Gladstone and Herrick received newly-constructed modular water treatment plants (WTPs) as part of 24glasses – RTWSP
- TasWater signed a memorandum of understanding (MOU) with the Museum of Old and New Art (MONA), which will see TasWater explore the upgrade of Cameron Bay STP to support MONA's expansion plans
- TasWater's Graffiti Pilot Program commenced with the first of several spray events taking place at the Mornington Reservoir
- 2016-17 State of the Industry Report released, highlighting TasWater's progress as a business, including improved environmental performance and progress in the removal of PHAs
- 2016-17 Urban National Performance released by the Bureau of Meteorology, highlighting TasWater's call centre performance as the best among similar-sized utilities across Australia for the second year in a row.

February 2018

- Wayatinah received the first newly constructed modular WTP as part of 24glasses – RTWSP
- TasWater supported industry in Wynyard by beginning construction on sewage infrastructure upgrades, including five kilometres of new rising sewer main, and an upgrade to the Fonterra SPS.

April 2018

- TasWater announced its Trade Waste Customer Support Program to assist small businesses in their journey towards trade waste compliance
- TasWater staff and selected emergency personnel participated in a simulated emergency dam safety exercise (Exercise Vincent) to test the organisation's emergency response capability
- Construction commenced on the Ti Tree Bend STP biosolids upgrade.

May 2018

- TasWater employees presented seven papers at OzWater 2018, highlighting the significant levels of innovation occurring across the business
- Historic MOU between TasWater and the State Government announced – if endorsed by TasWater's owners and approved by Parliament, the State Government will inject \$20 million per year for the next 10 years into TasWater and receive a 10 per cent share in the business in return
- Conglomerate Dam upgrade completed, providing a reliable water source for Queenstown residents, businesses and visitors.

June 2018

- Removal of BWAs from Cornwall, Gladstone and Wyatinah, part of 24glasses – RTWSP
- Desludging of Margate STP lagoon completed and installation of storage tanks and SPS ongoing, as part of the Kingborough Sewerage Upgrade Program
- TER approved TasWater's PSP3 pricing, infrastructure investment and customer service standards, providing a comprehensive plan for TasWater's operations from 2018 to 2021.



Customers & Community

Building confidence and trust

Each of our customers is also a stakeholder in our business. Our responsibility to them and to the wider community is to meet their expectations for high quality services, and to respond promptly and professionally when they need us.

Customer communications

TasWater is working to improve the way we communicate with our customers, to ensure they:

- Are better informed about what we do
- Understand the challenges we face
- Can trust that a TasWater representative is available when needed
- Feel we are working to meet their expectations on issues that matter to them, such as clean, safe drinking water, efficient removal of sewage, infrastructure upgrades for the future, and bills that represent value for money.

To make this happen, we have actively increased the frequency and variety of communications to our customers and wider community, using traditional and newer digital channels to ensure we are reaching customers in ways they want.

During the year we also implemented several research studies to track customer satisfaction and perceptions across key metrics to ensure future strategies deliver on customer expectations.

Resolving customer complaints

When a customer takes time to give us feedback, we seek to fully understand and, wherever possible, address their concerns. Complaints are managed by our Customer Resolutions team, whose focus is to resolve customer issues in a sensitive and timely manner.

We received 3,237 complaints during 2017-18. Of these, water quality complaints were the most frequently reported issue, accounting for 47 per cent of all complaints received and typically the result of:

- Water main breaks
- Network dead ends
- Non-lined metallic pipes.



More of our customers are choosing the convenience of BPAY and direct-debit to pay their quarterly account than ever before.

Having observed an increasing number of complaints related to the taste, odour and colour of tap water, we established an Aesthetic Task Force in July 2017, with the aim of mitigating aesthetic water quality issues by:

- By implementing a carbon dosing trigger using an internal taste panel for early detection
- Implementing a targeted flushing program with a coordinated customer communication plan
- Developing the ability to map customer complaints against pipe types and existing flushing programs.

Our Water System Performance team has developed an algae management plan that categorises our systems in relation to algal risk. A sampling program of both laboratory and taste testing has been implemented to act as an early warning system and reduce customer complaints, with the frequency of sampling increased according to algal risk.

TasWater aims to respond to feedback within 10 days, and during 2017-18 was able to do so 92.1 per cent of the time. Where we cannot respond in 10 days, we work with our customers to agree on an alternative timeframe.

There were 59 customer complaints and queries registered with the Tasmanian Ombudsman at 30 June 2018.

Of these enquiries, 49 were passed on to TasWater officers for review. All of these enquiries were subsequently resolved.

Customer billing

We aim to issue customer accounts at the same time each quarter. Over the past 12 months, 99 per cent of our bills were issued on time.

We continue to encourage our customers to adopt eBilling as their preferred payment method, with 18 per cent of our customers' bills issued via email or BPAY at the end of 2017-18, as compared to 13 per cent in 2016-17. Similarly, nine per cent of customers chose to settle their bill by direct debit, as compared to just over three per cent in 2016-17.

Customer service

The overall 24/7 grade of service for the financial year was 86.3 per cent. This exceeds the Office of the Tasmanian Economic Regulator's (OTTER) target of 85 per cent.

Our Customer Service team engaged in a total of 311,773 customer interactions for the financial year (174,579 voice interactions, 21,759 face to face at our shop fronts, 84,435 via email and 31,000 via the postal service).

Street artist Rhys Jenkins places the finishing touches on his section of Mornington Reservoir, part of TasWater's Graffiti Pilot Program.



Community engagement

Good community engagement drives better outcomes for both the community and TasWater. It enables more informed identification of risks, opportunities, options and potential solutions than is possible with an internal perspective alone. It is about providing the community with a voice and building trust that as a business, we are considering our role and impact within the community.

TasWater aims to deliver best practice community engagement and supports this approach by using the International Association for Public Participation values and tools. Our programs 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 2017-18, we carried out approximately 50,000 individual community engagement activities across the state as part of 45 key TasWater capital works projects.

Key projects included:

- **24glasses program**, which commenced in August 2016 when TasWater publicly committed to addressing water quality issues and systematically removing PHAs from regional towns by the end of August 2018. The program has made progress in delivering quality water to these areas, providing significant social and economic benefits. We implemented a detailed community engagement strategy to ensure customers and communities were kept informed about planned solutions, works to be undertaken, timeframes and service interruptions.



TasWater engineers participating in Launceston City Council's Engineering Young Minds event.

- **Kingborough Sewerage Upgrade Program** will consolidate and enhance the Kingborough sewerage system, resulting in improved environmental and odour outcomes, and benefitting the region for future generations. Our work has focused on engagement with a number of groups and residents to lessen the impact of works, as well as raising awareness of the benefits of the project for the wider community.

To improve our community engagement, we undertook a comprehensive research program during the year to benchmark our performance. This valuable data provides a base from which we can monitor and improve our annual performance in customer satisfaction.

Customer service standards

Introduction of dispatch teams to improve response

Following a review of our response to sewer blocks and chokes, and water pipe bursts and leaks, TasWater trialled the incorporation of a dedicated Dispatch team in late 2017 to improve the efficiency of our reactive operations.

A new dashboard provides our dispatch teams with the ability to visualise reactive work orders for our special needs customers, shellfish leases and crews operating in the vicinity of reported issues – reducing response times for high-priority jobs, and alleviating loading from our coordinators.

The Dispatch team is located in TasWater's Operations Control Centre (OCC), where it has close access to Customer Call Centre staff, and can observe crew locations on the OCC's monitor display system 24 hours a day, 7 days a week.



Community Engagement Officer Ivan Zwart and Project Manager David Clifford on site in Kangaroo Bay.

Case study

Kangaroo Bay underwater sewer main replacement

During 2017-18, TasWater commenced works to replace the Kangaroo Bay underwater sewer main on Hobart's eastern shore.

Once the decision to replace this infrastructure was made, we asked the following questions:

- How will we replace the pipe?
- What is the best pipeline route?
- What is the cost?
- What are the long and short-term impacts on the community and stakeholders?
- Are there any potential environmental and heritage issues?

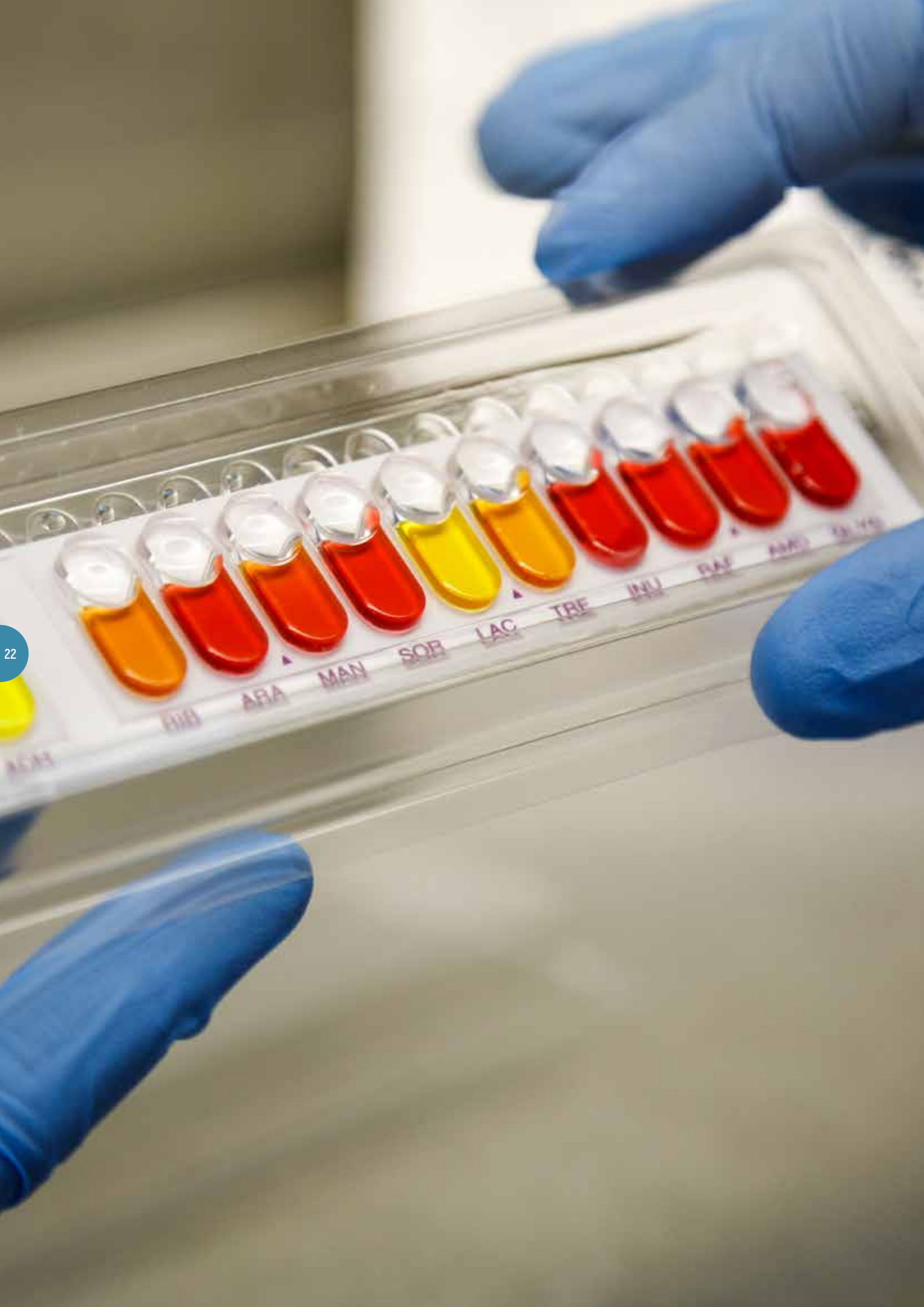
TasWater developed four options for the underwater sewer main before engaging a consultant to assess the technical aspects of each. Key stakeholders were then approached for their views on the available options, and a broader

community engagement process was carried out, involving input from members of the community and local businesses. A number of engagement methods were undertaken, including:

- Information and a survey on the TasWater YourSay website
- A community meeting and group activity to identify and prioritise issues, concerns and ideas and to evaluate the preferred option
- Door-knocking local businesses and residents
- Phone calls, emails and letters to local businesses and residents
- Media advertising and input through the local council Facebook page.

In total, approximately 140 community members, stakeholders and local businesses were engaged over a two-week period, with approximately 25 per cent of those surveyed choosing to respond.

TasWater Project Manager David Clifford, said, "The community engagement process really helped us to understand community views and assisted us in deciding which option to implement. It was a very valuable and important process to undertake to ensure we deliver the best customer outcome."



Water & Environment

Providing safe drinking water and sewerage services

TasWater produces over 196 million litres of drinking water and removes 137 million litres of sewage every day. Both of these processes need to be monitored at each step – from the catchment area to our treatment plants and pipe network to ensure the water we supply to our customers and return to the environment meets environmental and regulatory guidelines. To do this, we collect and analyse approximately 190,000 water samples every year, with the results published in our Annual Water Quality Report.



Hydramet Project Manager Martin Warnes, TRILITY CEO, Francois Gouws, and TasWater CEO Michael Brewster inspecting the TRILITY | Hydramet factory in Launceston, where prefabricated water treatment plants are produced for the 24glasses – Regional Towns Water Supply Program.

Drinking water quality

TasWater undertook a broad range of activities to improve the quality of the drinking water we supplied to our customers during the 2017-18 financial year, including:

- Water quality catchment investigations were completed across 61 of our 70 catchments. This work helped inform our capital improvement program and allowed us to identify potential risks and mitigate them prior to any customer impacts
- Improving the performance of WTPs continued with a focus to maximise operational efficiency and identify areas for renewal or capital investment
- An enhanced aesthetic water quality testing program has allowed us to mitigate taste and odour issues in some of our systems prior to any impact on our customers
- The construction of Rosebery's WTP is nearing completion
- Agreement to publish monthly water quality data on our website to improve transparency for our customers
- Approval by the Department of Health (DoH) of an updated Drinking Water Quality Risk Management Plan
- External audit of the Drinking Water Quality Risk Management Plan in December 2017, with no major non-conformances found and several minor non-conformances and opportunities for improvements identified.

24glasses - Regional Towns Water Supply Program (RTWSP)

In August 2016, TasWater committed to removing PHAs from regional towns across Tasmania. This project is planned for completion by the end of August 2018 and will result in the majority of customers in those towns able to enjoy water that meets Australian Drinking Water Guidelines. Significant milestones for this program from the 2017-18 financial year include:

- A total of 12 new WTPs constructed, and three towns supplied by new water transfer pipelines
- BWAs removed from Mole Creek, Lady Barron, Ringarooma, Legerwood, Derby, Branxholm, Gretna, Cornwall, Gladstone, and Wayatinah
- DNCs removed from Avoca and Winnaleah

- Service replacement solutions completed in Mountain River and Pioneer.

Trade waste

Untreated trade waste can damage TasWater's pipe network and disrupt our sewage treatment processes. It also represents a significant safety risk to the general public, our staff and the environment. For this reason we created our Commercial Compliance Program to help businesses become trade waste compliant by installing pre-treatment systems that minimise the amount of trade waste entering our sewage network.

After receiving significant feedback from our customers and industry, TasWater developed a series of new initiatives to help our trade waste customers meet their compliance obligations. For small businesses this will include a Customer Support Program to assist them in their journey towards compliance.

In developing these initiatives, we have sought to make it easier for our customers to achieve compliance, while maintaining the integrity of our original timeframes and compliance targets.

At year end, 98 per cent of our 3,685 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. After assessment, our customers have 18 months to implement any required changes.

Similarly, 94 per cent of our industrial customers were operating under an Industrial Trade Waste Agreement (ITA) at the end of the financial year. The remaining six per cent of customers were on legacy contracts, with current licence limits addressing potential risks.



A prefabricated water treatment plant is lifted into place in Gladstone, part of 24glasses - RTWSP.

Environmental improvement initiatives

In December 2016, TasWater signed an MOU with the Environmental Protection Authority (EPA) on a combined approach to improve our environmental performance for the following three years. Significant gains have been made, with a continued focus on those STPs where there are substantial gains to be made regarding compliance and risk. Our Sewerage Optimisation Team also carried out process reviews to identify and optimise key improvement areas:

- Commitment to achieve a step change in volume compliance by the end of 2019. Compliance at six sites saw steady gains during 2017-18, with overall compliance increasing by a third of the 2019 target
- To reduce significant risks, the focus was on four key areas of environmental risk (pathogens, toxicants, nutrients and odour). Projects at seven sites are due for completion by the end of 2018.

Reducing the impact and number of sewage spills

Sewage spills resulting from blockages or severe weather can impact on environments of importance to our

customers, such as beaches and productive inshore coastal areas like those used by the shellfish industry.

To reduce the number and impact of these spills, we have improved the monitoring of our sewage pumping stations [SPS] with upgrades, and developed analytical software for the detection of network blockages. This predictive software uses existing SPS monitoring to anticipate upstream network blockages by understanding daily flow patterns, and sends notifications to the Operations Control Centre when flows are outside learnt limits. Although this solution has yet to detect and prevent a spill, it has already successfully detected anomalies within the network.



TasWater staff undertake sewerage maintenance works in Newstead in the state's north.





David Krushka, Gerard Tolson and Fraser White at the Conglomerate Dam which was upgraded during the year.

Environmental reporting and performance

TasWater owns and operates 79 Level 2 STPs licensed under the EPA, and 33 Level 1 STPs licensed by local councils. To track performance, TasWater completes weekly compliance sampling of the 13 largest Level 2 STPs (by volume). We report annually to the EPA on our performance relating to sewage and environmental management through the production of an annual environmental report and notify the regulator of incidents and spills as they occur throughout the year.

The overall STP environmental compliance performance for 2017-18 was 85 per cent for Level 2 STPs, as compared to the target of 87 per cent. This measure is the percentage of treated volume compliant with EPA requirements, and is the best result TasWater has achieved since our formation in 2013.

Over the twelve-month period, five months achieved compliance greater than our 87 per cent target.

There were 268 odour complaints within the sewerage network in 2017-18, an increase of 6 per cent on last year's figure.

More than 99 per cent of biosolids were beneficially reused with only 0.5 per cent of the total sent to landfill. Our target for 2017-18 increased from 93 to 95 per cent for beneficial reuse, with a key focus on optimising transportation costs and disposal of biosolids as well as increasing the removal of sludge from our STP lagoons while maintaining overall compliance of our biosolids management.

Twelve new Environmental Protection Notices (EPNs) were issued during 2017-18, with new conditions and effluent compliance limits. While there were no major non-compliances issued relating to EPN conditions during the 2017-18 financial year, the EPA did issue TasWater with an Infringement Notice on 2 March 2018 relating to a sewage spill at Flinders Esplanade, Taroona, on 22 and 23 November 2017.

Dam safety

TasWater is well underway with our program of upgrades for those dams used for drinking water supplies, with further works ongoing for priority-based decommissioning of dams that fall outside this purpose. Highlights of these important works include:

- Completion of Conglomerate Dam's upgrade in May 2018 – ensuring a reliable water source for Queenstown residents, businesses and visitors
- Continued progress on the Swansea Dam upgrade, with completion scheduled for November 2018
- Design and investigation works underway for the Mikany Dam upgrade, with on-site works scheduled to commence during the 2018-19 financial year
- Interim risk reduction measures implemented at Flagstaff Gully Dam
- Dewatering of the Tolosa Reservoir in preparation for the Tolosa Dam's planned decommissioning in 2018-19.



Case study

Fireflies and water system hygiene

TasWater Laboratory Coordinator Benjamin Deeley and colleagues are using an intriguing and unusual method for checking water quality – the test is based on a chemical compound found in the bodies of fireflies.

Adenosine triphosphate (ATP) is a molecule that living cells use to transport chemical energy to wherever it is needed by the organism. In fireflies, an enzyme called luciferase is used to convert the energy from ATP into light. When luciferase is present in the body of the firefly, each molecule of ATP produces a measurable quantity of light. TasWater's lab team is now using this natural phenomenon to test water samples for the presence of micro-organisms.

The test involves filtering the sample to remove micro-organisms from the water. A chemical agent is added to the filter to break open the cells. This releases the ATP, which is collected. Luciferase is then added to produce

light from the ATP. The light emitted is measured with a luminometer and the amount of ATP in the sample can be calculated, giving an indication of the number of microbes that are present.

As Benjamin Deeley explains, it is important to understand that ATP testing does not replace any of TasWater's usual regulatory testing. "We still rely on the use of heterotrophic plate counts (HTCs), which need to be done in a laboratory incubator," Benjamin says. "But it can take from two to seven days to get an HTC result. The benefit of the ATP test is that it can be done in the field and can give a real-time result in a few minutes."

TasWater is currently using this technology to assess system hygiene, for example, after a pipe burst.

"While there are some limitations, the test for ATP is a useful tool for the rapid evaluation of water quality," Benjamin says. "It allows us to investigate water quality issues by providing an on-the-spot assessment of the microbial risk and by pinpointing sites of contamination."

The benefit to our customer is a reduced risk to public health and an increase in the speed at which water is restored after events. The benefits to TasWater are increased efficiency, operational cost savings, reduced risk to TasWater's reputation and increased customer confidence.



Senior Engineer Asset Strategy Elizabeth Hickman, and Manager Project Management Support Services Joe Dale.

Our People & Culture

Building culture for the long term

We value and respect the people who work with us. Our aim is to create and maintain a safe and rewarding workplace that attracts and holds the best people in their fields.

Safety Performance

At the end of the financial year, the 12 month rolling Lost Time Injury Frequency Rate (LTIFR) was 8.8, as compared to the 2016-17 result of 3.8. Although this represents an increase, it is important to note that the severity of injuries being reported decreased, with the majority being soft-tissue related and all individuals able to return to full capacity on recovery.

The Total Recordable Injury Frequency Rate (TRIFR) decreased from 13.7 to 12, a 12 per cent reduction, and one above our Corporate Plan TRIFR target of 11. The number of regulatory reportable safety incidents decreased from five in 2016-17 to four in 2017-18, also one above our target of three.

Zero Harm

Our goal is zero harm and the protection of the health, safety and wellbeing of our employees, contractors and stakeholders. In order to achieve zero harm and meet our Corporate Plan performance targets, we provide structured health and safety programs which are aimed at reducing our risks, improving the wellbeing of our workforce and supporting the ability of employees and leaders to manage safety effectively.

Improving safety

Key initiatives progressed during the financial year to support our objective of zero harm were:

1. Zero Harm Initiative

The Zero Harm Initiative focused on five areas during the year:

- Improving leadership visibility and accountability for safety through the extension of the Leadership Walk Program below executive level
- Hazard identification and rectification

- Incident investigation and rectification
- Site ownership and accountability
- Development of a safety specific recognition program to reinforce positive behaviour and performance.

2. Contractor Safety Management Program

Our capital program requires the support of external contractors to help us deliver key projects for our customers and the broader community. To ensure that our contractors and suppliers achieve our expected safety standards, we have continued the comprehensive contractor safety management program, raising the capability of our contract owners – a key dependency to ensure our contractor management is successful in the long term.

3. Fatality Risk Reduction Program

This program continued in 2017-18 with a specific focus on further reducing the top three risk areas of the business:

- Electricity
- Vehicles and mobile plant
- Unauthorised access.

Streams of work delivered within these areas included the completion of the statewide fencing program, commencement of arc flash management, and the development and commencement of the TasWater isolation process.

A review of the Fatal Risk Strategic Action Plan was completed in December 2017 and included facilitated workshops with key stakeholders from across the organisation for the top five major hazard areas.

4. Health and Safety Improvement Plan

A new Health and Safety Improvement Plan has been structured to enable improvement over the next three years at a pace that allows us to achieve quality, sustainable outcomes in health and safety performance. The plan:

- Incorporates principles of Health and Safety Functional Excellence
- Responds to the evolving context in which TasWater operates, and is underpinned by our Zero Harm vision.

The Health and Safety Improvement Plan is supported by a separate functional plan that comprehensively details each initiative, its major actions, resources and schedule for development and implementation.

The Improvement Plan is designed to evolve over three stages:

- 2018-19: creation of line capability in performing routine health and safety requirements by establishing the skills and knowledge to achieve and control all current health and safety requirements. The targets and performance measures aim to facilitate increased levels of ownership and involvement at all levels within TasWater
- 2019-2020: empowerment to manage risks by developing our ability to anticipate and respond to operational health and safety risks. This will allow finalisation of the Health and Safety Management System
- 2020-2021: engagement in setting health and safety expectations by sharing responsibility with the Health and Safety function for defining strategic needs and priorities.



TasWater's 9th People Leaders' Forum and Innovation Showcase, November 2017.

Building our leadership capability

The Go Lead program

Sixty new or aspiring people leaders undertook a six-month program that encompassed the fundamentals of leadership. The program involved a practical mixture of online learning, coaching from managers, research into our people-management policies and processes.

People Leaders' forums

Two People Leaders' forums were held during the financial year. The November Forum saw all TasWater leaders attend an Innovation Showcase – featuring numerous innovations from across the business, including a vacuum truck snorkel, flood forecasting system, chorine training simulator, a Musterjuster (to facilitate safer chamber lid replacements), and in-house software developed to detect network blockages and reduce the impact of sewer spills.

In June 2018, our tenth People Leaders Forum was held – with the senior leadership team, including the Executive Team and direct reports, coming together to celebrate five years of TasWater. While part of the day was spent acknowledging the organisation's achievements since its formation in 2013, the team also cast its focus forward to the next five-year phase of the business, and achieving our customer-centric "Vision 2023" strategy.

Building our technical capability

TasWater is committed to developing a capable and agile outdoor workforce, with our employees now supported to complete dual qualifications in both Water Network Operations and trades such as plumbing. Future programs (including for our Urban Networks staff) are already under development.

Certificate III in Water Treatment traineeship program

Building upon the success of our 2016-17 program, we commenced a third, fully customised Certificate III in Water Treatment for our Service Delivery teams this year. The program focuses on developing the capability of our water operators, and is critical in developing a technically skilled workforce now and for the future.

Over 20 trainees (both new and existing employees) have started the program, which involves a series of interactive workshops with visits to various plants and TasWater laboratory facilities.

The formal training component is delivered in a series of face-to-face workshops involving TasWater experts and practical laboratory style sessions using our equipment and premises.

Dam safety improvement program

TasWater maintains over 300 dams, weirs and lagoons across the state. Those dams that have been identified to have a life safety risk are regularly inspected to manage their risks. This year over 40 Service Delivery staff undertook a two-day Dam Safety Program presented by New South Wales TAFE with support from our Dam Safety team.



TasWater's CEO Mike Brewster, UTAS representative Rebecca Cuthill, 2018 Steve Balcombe Scholarship winner Jenna Farrow, and TasWater Chairman Miles Hampton.

Steve Balcombe scholarship

UTAS engineering student Jenna Farrow was selected from a record 60 applicants as the 2018 Steve Balcombe Scholarship winner. Awarded each year to a UTAS student studying engineering, environmental or earth science, recipients receive \$3,000 of financial assistance during each year of study at UTAS. They also undertake work experience placements at TasWater during university holidays and, at the end of their study, are offered a graduate position within the business.

TasWater internship program

Now in its second year, this program has continued to prove successful, with seven students across engineering and corporate disciplines employed at TasWater over the university summer holidays. Students gained valuable experience in the workplace as part of the program, and were mentored by experienced senior professionals. Two of the 2017-18 interns have subsequently secured employment with TasWater.

Recognition and reward for employees

Australian Water Association Young Professional of the Year

This award recognises young water professionals under 35 years of age who have outstanding career achievements to date and the potential to play a large and influential role in the water industry. This year it was awarded to Rebecca Sayles, Senior Engineer Asset Strategy, for her work on developing customer-focused outcomes for the TasWater strategic framework.

The Water Industry Operators Association of Australia's award for Tasmanian Operator of the Year and Tasmanian Young Operator of the Year went to TasWater's David Stacey and Robert MacDonald respectively for their outstanding dedication and hard work. As part of their award, they received a professional development opportunity sponsored by TasWater to participate in the annual WIOA-hosted study tour of water and sewage facilities in New Zealand, together with attendance at the Water Industry Operations Group of New Zealand's annual conference.



TasWater intern Zoe Ha receives guidance from Assistant Accountant Ansa Le Roux.

Case study

TasWater internship program

Zoe began a 12-week graduate internship in 2017 through TasWater's relationship with education provider Navitas, coordinated through our Capability and Performance team.

The internship was designed with Navitas to ensure Zoe gained valuable experience in the key areas under her internship, including financial and management accounting, treasury management, taxation, corporate planning and reporting.

"From my initial interactions with TasWater during my internship, I noticed that the company provides

a great environment for its employees and rewards innovation, as well as hard work," Zoe said. "The internship program has completely changed my career pathway by providing me with an opportunity to develop on the job, working with supportive colleagues."

As Kate Blizzard, Department Manager Capability and Performance noted, "Our highly successful internship program

has been running for two years now, and we have had 16 interns complete our 12-week program to date."

Towards the end of Zoe's internship, a temporary TasWater vacancy became available and her high level of performance earned her a contract role until June 2018.



Commercial & Economic

Providing affordable, positive and sustainable service

Sustainability and productivity underpin everything we do. Our purpose is to deliver affordable and reliable services to our customers while meeting the legislative and regulatory requirements that govern our activities.

Productivity improvement

TasWater's Productivity Improvement Program (PIP) continued the focus on keeping customers' bills as affordable as possible during the year.

The program has achieved overall savings of more than \$20 million since our establishment in 2013, and delivered \$10.1 million in operational cost reductions and \$4.8 million in revenue enhancements during the 2017-18 financial year.

Key projects that supported this outcome were identified, developed and delivered through a structured and systematic approach to maximise sustainable productivity benefits, and included:

Programs	Comment
Service Delivery	Removal of non value-adding tasks, implementation of a Management Operating System and the development of Active Management Behaviours Program
Retail Value Creation	Improving our customer responsiveness by simplifying, streamlining and automating key processes, and investing in systems and functions
Revenue Enhancement	Continuing our focus on ensuring accurate data and equitable billing for all customers

The PIP team is responsible for identifying potential opportunities to reduce costs, validating savings and promoting a culture of efficiency and high productivity. It is anticipated this approach will accelerate the identification, development and delivery of further productivity gains over the next three years.



Mark Rippon presenting about real-time data at the Innovation Showcase, November 2017.



Bevan Anderson water testing at Smithton's STP sludge lagoon.

Innovation

TasWater hosted an internal innovation showcase in November 2017, featuring 20 innovative solutions to challenges from across the business. Selected examples of work from exhibitors included:

- Performance, Operation and Reporting system (PORs) that reduces risk and increases performance and productivity in drinking and wastewater management
- In-house analytical software that helps reduce the number and impact of sewer spills by detecting and anticipating network blockages
- A customised vacuum truck snorkel that allows the end of a vacuum truck hose to be fully immersed in liquid when pumping from wells, increasing operator safety by eliminating stoppages and backflow surge issues.

Following the success of the showcase, it was decided that a broader framework to support and celebrate innovative thinking across TasWater should be established. The Innovation Driving Everyday Actions (IDEA) framework was subsequently created with the aim of stimulating and facilitating innovative problem solving right across the business – not just in the science and process spheres.

Capital delivery

In early 2017, TasWater implemented a new governance structure for the Capital Program to increase oversight in meeting our PSP requirements and statutory obligations, and promote delivery of fit-for-purpose assets for our customers, the environment, and the Tasmanian community.



Construction of the Blackmans Bay STP, part of the broader Kingborough Sewage Upgrade Program.

The Capital Investment Committee was created to provide investment guidance, the Asset Infrastructure Committee was formed to provide infrastructure direction, and the Business Review Group to provide technical advice. These committees have been in place for 12 months and have delivered positive results to the Capital Program.

To support the governance model, a Project Generation Framework was also created to provide structure for the project lifecycle. Throughout the financial year, customer focused processes, tools and templates were also created, and linked directly to the new Project Generation Framework.

Capital Delivery Office

In April 2018, TasWater's Board approved the establishment of a Capital Delivery Office (CDO) using a Program Management Alliance model to augment our capacity and capability to deliver the capital program and better position TasWater to fulfil our customer promises and further improve service levels.

The CDO will see TasWater staff work alongside personnel provided by one or more external partners as part of a single collaborative team. An alliance partner is expected to be selected in late 2018, with the CDO scheduled to be fully operational in 2019.



One of Smithton's STP lagoons.

Case study

Smithton de-sludging and re-use project

TasWater undertakes a major de-sludging program – providing benefits for agriculture and reducing our environmental impacts.

The volume of sludge in the lagoons was preventing the aerators from operating, resulting in an odour problem. Over a period of several months, contractor Conhur Pty Ltd removed almost 6,000 tonnes of sludge from three of the plant's six lagoons.

A key aspect of the project has been the practical and beneficial re-use of the removed biosolids, which was transported to nearby agricultural land where it will enhance the productivity of the property's pasture.

This was a carefully managed process carried out in accordance with EPA protocols (Tasmanian Biosolids Reuse

Guidelines), which require adherence to set-backs from water courses, native vegetation, houses and roads.

TasWater's Sewerage System Performance Leader Royce Aldred said the de-sludging project had been complicated and logistically challenging, and praised the efforts of TasWater and Conhur personnel in dealing with issues along the way.

He also thanked neighbouring property owners for working with TasWater and Conhur for the duration of the project and for ensuring the sludge was put to good use. The plant is now expected to operate as designed and

produce treated effluent that meets contemporary standards.

To complement the de-sludging work, TasWater has also entered into a water re-use supply arrangement with a neighbouring property owner. Significant volumes of treated effluent will now be diverted away from nearby Kemps Bay for re-use on agricultural land.

There will be minimal discharge to Kemps Bay during the summer months, and thanks to the de-sludging works the quality of treated waste being discharged to the environment will be significantly improved.



Governance

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:
 - to 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 2017-18 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 is 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 (CEO) 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, and the 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.



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.

Directors' meeting attendance 2017-18

Director	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)	14	14	-	4*	-	3*	-	4
Nick Burrows (AAR Chair)	14	14	4	4	-	3*	4	4
Sally Darke	14	14	4	4	-	3*	4	4
Dr Stephen Gumley	4	4	1	1	1	1	-	-
Vincent (Tony) Kelly (EPH Chair) (part year)	14	14	4	4	3	3	1	4*
Sibylle Krieger (EPH Chair) (part year)	9	8	-	1*	2	2	3	3
Peter Lewinsky (CWC Chair)	14	12	4	4	3	3	-	3*
Dr Helen Locher	14	14	-	4*	3	3	4	4

*Denotes attendance by directors who are not members of the relevant Board Committee

Directors' background and terms of appointment



Chairman: Mr Miles Hampton, B.Ec (Hons), FCPA, 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 a member of the boards of Metro Tasmania Pty Ltd, Clean Seas Seafood Ltd, Australian Seafood Industries Pty Ltd, and PFG Group Pty Ltd and associated entities. 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 as well as the listed sector, focusing on corporate governance and strategic, commercial, financial and risk management oversight, underpinned by his background as a chartered accountant and registered company auditor. Mr Burrows is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Accountants of Australia, Governance Institute of Australia and of the Financial Services Institute of Australasia.



Sally Darke, B.Ec, FAICD

Appointed: 1 January 2016

Ms Darke has more than 30 years' experience as a human resources professional and is a former director of professional services firm KPMG. As a consultant for the past 10 years with KPMG, she developed extensive experience in strategic human resource management, governance, strategic planning, executive recruitment and Board and CEO performance reviews.

Ms Darke is Chairperson of the Tasmanian Community Fund, Non-Executive Director of TasPorts, Chairperson of Scotch Oakburn College and a past State Councillor with the Australian Institute of Company Directors.



Dr Stephen Gumley AO, HonDEng, D.Phil, MBA, FIE, FTSE

Appointed: 16 March 2018

Dr Gumley is a professional engineer and business manager with over 30 years' experience at senior level working with technology project/program delivery, the public-private sector interface, and asset management. Since 1993, he has held seven chief executive roles in both the private and public sectors, including in the ports, irrigation, defence, aviation, and engineering industries.

Dr Gumley has also held a diverse portfolio of board positions since the 1980s including at the University of Tasmania, Tasmanian Development Authority, AMOG Holdings, the Victoria Defence Council and as a board advisor on Goulburn Murray Water's \$2 billion irrigation asset renewal program and Murray Irrigation's \$200 million infrastructure program.



Vincent (Tony) Kelly, CPEng, Dip Civ Eng, MAICD

Appointed: 1 March 2016

Mr Kelly has more than 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. In April 2018, Mr Kelly was appointed to Chair of Isle Utilities Australia.



Sibylle Krieger, LLB (Hons), LLM, MBA, FAICD

Appointed: 1 March 2013

Reappointed: 1 March 2015

Term expired: 1 February 2018

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, a Director of MyState Limited, 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

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 more than 25 years' experience working in Australia and overseas on environmental, social and sustainability issues with a particular focus on 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 with the Environment Protection Authority and the former Resource Planning and Development Commission.

Audit and Risk Committee

TasWater's Audit and Risk Committee (AAR) is comprised of four independent directors. The committee is chaired by 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 AAR at scheduled meetings.

During 2017-18, 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.

Capital Works Committee

The Capital Works Committee (CWC) is comprised of four independent directors. It is chaired by Peter Lewinsky. The Committee met three 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 2017-18 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 Committee (EPH) comprises four independent directors. During the year it was chaired by Sibylle Krieger, and subsequently by Tony Kelly. 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 2017-18 was:

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

Board Selection Committee

The Board Selection Committee is a committee of the Owners' Representatives Group. In accordance with TasWater's Constitution it is comprised of 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 three times during the year.

Corporate governance disclosure obligations

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

Principle 1 – Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

• 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 chairperson, 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.	✓




Principle 2 – Structure the Board to add value

Companies should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

• 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 Chairperson	✓
• 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 Chairperson.	✓
• 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.	✓








Principle 3 – Act ethically and responsibly

Companies should act ethically and responsibly.

- 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. 



Principle 4 – Safeguard integrity in corporate reporting

Companies should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

- 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 Chief Financial Officer (CFO) 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. 







Principle 5 – Make timely and balanced disclosure

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.

- 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 Shareholder Relations Policy. 

Principle 6 – Respect the rights of shareholders

Companies should respect the rights of its shareholders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

- 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. 

07 Governance

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 and 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 reviews 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.	N/A

✓ Complies

Public interest disclosures 2017-18

The number and types of disclosures made to TasWater during the year and the number of disclosures determined to be a public interest disclosure.	5
The number of disclosures determined by TasWater to be public interest disclosures that it investigated during the year.	5 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

Right to information requests 2017-18

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 ²
The number of applications for assessed disclosure determined by TasWater.	19 ³
The number of determinations where the information applied for was provided in full.	15
The number of applications for internal review and the outcome of those reviews.	2 ⁴
The number of applications for external review and the outcome of those reviews.	1 ⁵

¹ One investigation continued into the 2018-19 financial year

² Refusal under section 19 of the *Right to Information Act 2009*

³ Includes one application for assessed disclosure received in the 2016-17 financial year

⁴ One internal review upheld the original decision in full. One internal review reversed the original decision.

⁵ The external review was requested in relation to a decision to defer the provision of information under section 17 (1) of the *Right to Information Act 2009*. The information sought was published in line with the timeframe advised to the applicant and prior to the external review being completed. The Ombudsman accordingly closed the file.

Personal information protection complaints 2017-18

The number of complaints relating to failure to protect personal information made to TasWater.	2 ⁶
--	----------------

⁶ In addition to the two complaints received, TasWater also identified a number of inadvertent minor breaches during the year.



08

Financial Report

1 July 2017 to 30 June 2018

55

Directors' Report for the Financial Year Ended 30 June 2018

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 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Legislative authority

TasWater was formed on 5 February 2013 under the *Corporations Act 2001* and pursuant to the *Water Sewerage Corporation Act 2012* (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 \$42,684,617 for the year ended 30 June 2018 (2017: \$25,803,573).

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. A significant number of the Corporation's Sewage Treatment Plants (STPs) fail to fully comply with effluent discharge licences set by the EPA, and during the year one minor fine was received in relation to a spill arising from a pipeline failure in March 2018. Apart from the above, directors are not aware of any breaches during the year covered by the report. The Corporation is implementing a Wastewater Management Plan agreed with the Environmental Regulator and monitored by the Board, that outlines initiatives and implementation schedules to address the Environmental Regulator's priorities with respect to the non-compliances.

Drinking water systems

The Board has the responsibility to monitor compliance with drinking water regulations. At the commencement of the year, there were a number of towns on permanent public health alerts. During the year, a number of those alerts were removed and TasWater is seeking to remove the remaining permanent alerts by early 2018-19. Apart from the above, the directors are not aware of any significant breaches during the year covered by the report. The majority of the Corporation's drinking water systems comply with the microbiological 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 in accordance with the *Water Management Act 1999* and uses a Dam Portfolio Risk Assessment process, in accordance with the Australian National Committee on Large Dams (ANCOLD) Dam Safety Management Guidelines 2003, to prioritise the works required. The directors are not aware of any new breaches during the year covered by the report. Dams that are known to exceed tolerable risk limits 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 having a consequence rating of significant 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 2018, the Board of the Corporation approved the payment of an interim dividend of \$6,885,803 (2017: \$7,496,372). This interim dividend was paid on 28 February 2018.

On 27 June 2018, the Board approved the payment of a further dividend of \$11,613,294 (2017: \$11,960,171), which was paid on 29 June 2018.

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 May 2018, TasWater signed a memorandum of understanding (MOU) with the State Government proposing to grant them a 10 per cent maximum shareholding in TasWater in exchange for a \$20m per annum equity injection over 10 years, commencing on 1 January 2019. The funds from the equity injection are expected to allow the Corporation to reduce the rate of price increases to customers and accelerate infrastructure investment.

This change of ownership is subject to the approval of TasWater's owner councils and the Parliament of Tasmania.

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 2018. 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 Sally Darke
- Dr Stephen Gumley (appointed 16/03/2018)
- Mr Vincent (Tony) Kelly
- Ms Sibylle Krieger (resigned 01/02/2018)
- Mr Peter Lewinsky
- Dr Helen Locher

08 Financial Report

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	01/07/2013	
Ms Cathy Cuthbertson	General Manager People and Safety	09/09/2013	
Dr Dharma Dharmabalan	General Manager System Performance and Major Projects	30/09/2013	
Ms Juliet Mercer	General Manager Corporate and Community Relations	22/08/2016	
Mr Andrew Moir	General Manager Asset Portfolio Planning and Delivery	02/09/2013	
Mr Dean Page	General Manager Finance and Commercial Services	19/08/2013	26/03/2017
	Acting General Manager Retail and Customer Services	27/03/2017	14/01/2018
	General Manager Finance and Commercial Services	15/01/2018	28/02/2018
	Chief Financial Officer	01/03/2018	
Mr Bennie Smith	General Manager Service Delivery	05/12/2016	
Ms Ailsa Sypkes	General Manager Legal and Governance	28/04/2014	
Mr Jason Browne	Acting General Manager Finance and Commercial Services	27/03/2017	03/09/2017
Mr Matthew Pigden	Acting General Manager Finance and Commercial Services	04/09/2017	14/01/2018

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 having taken into consideration 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 or incentives 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:

2018 Non-executive Directors	Short-term Benefits		Post Employment Benefits			Total \$
	Salary \$	Other Long-Term Employee Benefits \$	Superannuation \$	Termination Benefits \$		
Mr Miles Hampton	111,138	-	10,558	-	121,696	
Mr Nick Burrows	64,234	-	6,102	-	70,336	
Ms Sally Darke	60,400	-	5,738	-	66,138	
Dr Stephen Gumley (appointed 16/03/2018)	16,099	-	1,529	-	17,628	
Mr Vincent (Tony) Kelly	63,497	-	6,032	-	69,529	
Ms Sibylle Krieger (resigned 01/02/2018)	38,541	-	3,661	-	42,202	
Mr Peter Lewinsky	64,234	-	6,102	-	70,336	
Dr Helen Locher	60,400	-	5,738	-	66,138	
Total	478,543	-	45,460	-	524,003	

- Salary includes base salary and where applicable vehicle allowances and non-monetary remuneration benefits
- 'Other Long-Term Employee Benefits' represents the net movement in leave provisions
- 'Termination Benefits' includes payments in lieu of notice.

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

OS Financial Report

2018 Senior Executives	Short-term Benefits		Post Employment Benefits		Total \$
	Salary \$	Other Long-Term Employee Benefits \$	Superannuation \$	Termination Benefits \$	
Mr Michael Brewster	495,106	24,466	27,038	-	546,610
Ms Cathy Cuthbertson	231,331	18,458	27,390	-	277,179
Dr Dharma Dharmabalan	273,563	12,047	24,420	-	310,030
Ms Juliet Mercer	220,006	(1,059)	24,075	-	243,022
Mr Andrew Moir	318,430	3,328	25,000	-	346,758
Mr Dean Page	308,716	19,013	24,050	-	351,779
Mr Bennie Smith	262,391	4,419	24,701	-	291,511
Ms Ailsa Sypkes	242,836	5,162	22,424	-	270,422
Mr Jason Browne (01/07/2017 - 03/09/2017) (Acting)	42,677	(391)	4,234	-	46,520
Mr Matthew Pigden (04/09/2017 - 14/01/2018) (Acting)	91,043	4,444	8,649	-	104,136
Total	2,486,099	89,887	211,981	-	2,787,967

2017 Senior Executives	Short-term Benefits		Post Employment Benefits		Total \$
	Salary \$	Other Long-Term Employee Benefits \$	Superannuation \$	Termination Benefits \$	
Mr Michael Brewster	458,043	8,419	31,802	-	498,264
Ms Eleanor Bray (resigned 24/03/2017)	199,267	(25,032)	20,232	42,250	236,717
Ms Cathy Cuthbertson	214,163	1,758	24,310	-	240,231
Dr Dharma Dharmabalan	267,198	(1,427)	24,503	-	290,274
Mr Glen Jameson (resigned 28/07/2016)	22,985	(11,711)	1,644	41,492	54,410
Ms Juliet Mercer (appointed 22/08/2016)	196,882	8,044	17,885	-	222,811
Mr Andrew Moir	296,334	15,390	27,477	-	339,201
Mr Dean Page	282,103	11,357	25,739	-	319,199
Mr Bennie Smith (appointed 05/12/2016)	133,198	9,212	12,654	-	155,064
Ms Ailsa Sypkes	219,433	8,809	20,846	-	249,088
Mr Jason Browne (27/03/2017 - 30/06/2017) (Acting)	64,489	11,778	6,126	-	82,393
Mr Tony Willmott (18/07/2016 - 05/12/2016) (Acting)	77,036	9,317	7,318	-	93,671
Total	2,431,131	45,914	220,536	83,742	2,781,323

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 (2017: 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, it 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 ten continuous years from the date of first appointment. The ten 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 62.

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

10 August 2018



Nick Burrows
Director

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
Web: www.audit.tas.gov.au

10 August 2018

The Board of Directors
Tasmanian Water and Sewerage Pty Ltd
GPO Box 1393
HOBART 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 2018, 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

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

Grouping	Note	Contents	Page
Signed Reports	-	Directors' Declaration	64
	-	Independent Auditor's Report	65
Financial Statements	-	Statement of Comprehensive Income	70
	-	Statement of Financial Position	71
	-	Statement of Cash Flows	72
	-	Statement of Changes in Equity	73
General Information	1	General Information	74
	2	Summary of Significant Accounting Policies	76
	3	Events after Balance Date	78
Our Business Performance	4	Operating Segments	78
	5	Revenue & Other Income	80
	6	Expenses	81
	7	Income Tax Equivalents	83
Our Asset Platform	8	Dividends	85
	9	Current Assets	85
	10	Property, Plant and Equipment	88
	11	Intangibles	94
	12	Current and Non-current Liabilities	95
Our People	13	Employee Benefits	97
	14	Compensation of Key Management Personnel	99
Our Funding Structure & Management of our Financial Risks	15	Financial Instruments	100
Other Important Information	16	Related Party Disclosures	105
	17	Commitments	105
	18	Contingent Assets/Liabilities	106
	19	Remuneration of Auditors	106

Directors' Declaration

The directors declare that for the financial year ended 30 June 2018:

- 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 Chief Financial Officer for the financial year ended 30 June 2018.

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



Miles Hampton
Chair



Nick Burrows
Director

10 August 2018

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 2018, 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 2018 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 11 August 2018 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.

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.

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

Water and Sewerage Infrastructure Assets	
---	--

<i>Refer to note 10</i>	
-------------------------	--

<p>Property, plant and equipment includes material long-life water and sewerage infrastructure assets recognised at fair value and carried at \$1.66bn at 30 June 2018. The fair value of these water and sewerage assets is 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).</p> <p>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.</p> <p>The calculation of depreciation for water and sewerage infrastructure requires estimation of asset useful lives and residual values which involves a high degree of subjectivity. Changes in assumptions underlying depreciation calculations can significantly impact the depreciation charged.</p>	<ul style="list-style-type: none"> • Evaluating the valuation methodology applied by management to determine the fair value of the water and sewerage infrastructure assets. • Testing whether the cash flows used in the valuation model are consistent with the most recent Corporate Plan approved by the directors. • Critically assessing 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 internal 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 management's assessment of the useful lives of water and sewerage infrastructure assets.
---	---

...2 of 5

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

-
- Performing analytical procedures on water and sewerage infrastructure asset depreciation expense.
 - Evaluating the adequacy of disclosures made, including those regarding key assumptions used in the valuation, in light of the requirements of the accounting standards.
-

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Director's Report for the year ended 30 June 2018, 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

...3 of 5

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

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 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.

...4 of 5

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

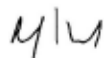
Report on the Remuneration Report

Opinion on the Remuneration Report

I have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2018. 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 2018.

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

16 August 2018
Hobart

...5 of 5

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

Tasmanian Water and Sewerage Corporation Pty Ltd Statement of Comprehensive Income for the Financial Year Ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Revenue			
Sales Revenue	5	307,279	290,741
Other Revenue	5	28,988	24,742
Total Revenue		336,267	315,483
Expenses			
Raw Materials and Consumables	6	24,042	21,589
Depreciation and Amortisation Expenses	6	70,066	72,117
Employee and Related Expenses	6	89,835	96,890
Operations and Maintenance Expenses	6	50,194	49,387
Administration Expenses	6	21,438	19,732
Finance Expenses	6	19,706	18,893
Total Expenses		275,281	278,608
Net Profit Before Income Tax Equivalents Expense		60,986	36,875
Income Tax Equivalents Expense	7.1	18,301	11,071
Net Profit After Income Tax Equivalents Expense		42,685	25,804
Other Comprehensive Income: Items that will not be reclassified to Profit and Loss			
Actuarial Gain/(Loss) on Defined Benefit Plans		1,427	1,709
Change in Net Asset Revaluation Reserve		(3)	-
Income Tax Relating to Components of Other Comprehensive Income	7.2	(428)	(513)
Total Other Comprehensive Income		996	1,196
Total Comprehensive Income for the Year		43,681	27,000

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 2018

	Notes	2018 \$'000	2017 \$'000
Current Assets			
Cash and Cash Equivalents	9.1	2,262	2,852
Receivables	9.2	39,078	48,755
Inventories	9.3	5,881	5,695
Prepayments		1,950	2,826
Assets Classified as Held for Sale	9.4	5	-
Total Current Assets		49,176	60,128
Non-current Assets			
Receivables	9.2	828	1,034
Property, Plant and Equipment	10	2,148,122	2,026,187
Intangibles	11	18,080	19,804
Deferred Tax Assets	7.4	32,791	41,678
Total Non-current Assets		2,199,821	2,088,703
Total Assets		2,248,997	2,148,831
Current Liabilities			
Payables	12.1	34,856	22,919
Current Tax Liability	7.3	1,725	737
Employee Benefits	13	16,128	20,869
Borrowings	12.2	90,833	75,784
Unearned Income	12.3	1,886	1,686
Other Current Liabilities	12.4	3,863	4,142
Total Current Liabilities		149,291	126,137
Non-current Liabilities			
Employee Benefits	13	9,143	10,945
Borrowings	12.2	448,385	399,118
Unearned Income	12.3	29,813	31,205
Other Non-current Liabilities	12.4	6,750	992
Total Non-current Liabilities		494,091	442,260
Total Liabilities		643,382	568,397
Net Assets		1,605,615	1,580,434
Equity			
Retained Profits		53,690	28,506
Asset Revaluation Reserve		24,111	24,114
Contributed Equity		1,527,814	1,527,814
Total Equity		1,605,615	1,580,434

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 2018

	Notes	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities			
Receipts from Customers and Other Sources		345,229	304,089
Payments to Suppliers and Employees		(200,241)	(200,261)
Headwork Charges		335	499
Interest Received		47	48
Interest Paid		(16,058)	(15,728)
Loan Guarantee Fees Paid to Owner Councils		(2,646)	(1,507)
Income Tax Equivalents Paid to Owner Councils	7.3	(8,855)	(9,036)
Net Cash inflow from Operating Activities	9.1	117,811	78,104
Cash Flows used in Investing Activities			
Payments for Property, Plant and Equipment		(157,756)	(94,462)
Interest Paid for Capital Works		(2,698)	(2,527)
Payment for Capitalised Employee and Direct Costs		(4,837)	(6,848)
Proceeds from Sale of Property, Plant and Equipment		1,073	669
Net Cash outflow used in Investing Activities		(164,218)	(103,168)
Cash Flows from Financing Activities			
Proceeds from Borrowings		256,550	214,351
Repayment of Borrowings		(192,234)	(169,726)
Dividends Paid to Owner Councils		(18,499)	(19,457)
Net Cash inflow from Financing Activities		45,817	25,168
Net increase / (decrease) in Cash and Cash Equivalents		(590)	104
Cash and Cash Equivalents at the Beginning of the Year		2,852	2,748
Cash and Cash Equivalents at the End of the Year	9.1	2,262	2,852

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 2018

	Notes	Retained Profits \$'000	Asset Revaluation Reserve \$'000	Contributed Equity \$'000	Total Equity \$'000
Balance as at 30 June 2016		22,784	24,114	1,527,814	1,574,712
Adjustment on error correction	2.4	(1,821)			(1,821)
Balance as at 1 July 2016 (restated)		20,963	24,114	1,527,814	1,572,891
Net Profit after Income Tax Equivalents Expense		28,592	-	-	28,592
Adjustment on error correction	2.4	(2,788)			(2,788)
Dividends Paid	8	(19,457)	-	-	(19,457)
Other Comprehensive Income		1,196	-	-	1,196
Balance as at 30 June 2017 (restated)		28,506	24,114	1,527,814	1,580,434
Net Profit after Income Tax Equivalents Expense		42,685	-	-	42,685
Dividends Paid	8	(18,499)	-	-	(18,499)
Other Comprehensive Income		996	(3)	-	993
Balance as at 30 June 2018		53,690	24,111	1,527,814	1,605,615

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

Tasmanian Water and Sewerage Corporation Pty Ltd

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018

1. General information

1.1 Company details

Tasmanian Water and Sewerage Corporation Pty Ltd (the Corporation), trading as TasWater, is a proprietary 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
- Brighton Council
- Burnie City Council
- Central Coast Council
- Central Highlands Council
- Circular Head Council
- City of Hobart Council
- City of Launceston Council
- Clarence City Council
- Derwent Valley Council
- Devonport City Council
- Dorset Council
- Flinders Council
- George Town Council
- Glamorgan Spring Bay Council
- Glenorchy City Council
- Huon Valley Council
- Kentish Council
- Kingborough Council
- King Island Council
- Latrobe Council
- Meander Valley Council
- Northern Midlands Council
- Sorell Council
- Southern Midlands Council
- Tasman Council
- Waratah-Wynyard Council
- West Coast Council
- West Tamar Council

The Corporation operates as an entity under the *Corporations 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 10 August 2018.

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.

1.4 Significant accounting judgements, estimates and assumptions

In the application of AASB standards, management is required to make judgements, 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 judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

1. General information (continued)

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 relevant to the Corporation listed below were in issue but not yet effective. The Corporation does not intend to adopt any of these pronouncements before their effective dates.

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
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for 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.
AASB 15 <i>Revenue from Contracts with Customers</i>	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 2018	30 June 2019	The assessment has indicated that there are no changes required to how we account for our revenue contracts. Future contracts entered into will be monitored and assessed.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	30 June 2020	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. Summary of significant accounting policies (continued)

2.2 Goods and Services Tax

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

- where the amount of 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
- 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 Correction of prior period error

During the year, the Corporation capitalised certain assets that had reached practical completion prior to 1 July 2017. Depreciation on these assets relating to the prior financial years has been accounted for by restating each of the affected financial statement line items for prior periods as follows:

Statement of Comprehensive Income (extract)

	30 June 2017		
	Previous amount \$'000	Adjustment \$'000	Restated amount \$'000
Depreciation and amortisation expenses	68,134	3,983	72,117
Net profit before income tax equivalents expense	40,858	(3,983)	36,875
Income tax equivalents expense	12,266	(1,195)	11,071
Net profit after income tax equivalents expense	28,592	(2,788)	25,804

Statement of Financial Position (extract)

	30 June 2017			30 June 2016		
	Previous amount \$'000	Adjustment \$'000	Restated Amount \$'000	Previous amount \$'000	Adjustment \$'000	Restated Amount \$'000
Property, plant and equipment	2,032,266	(6,079)	2,026,187	1,985,155	(2,344)	1,982,811
Intangibles	20,309	(505)	19,804	14,630	(257)	14,373
Deferred tax assets	39,703	1,975	41,678	44,126	780	44,906
Total non current assets	2,093,312	(4,609)	2,088,703	2,045,166	(1,821)	2,043,345
Total assets	2,153,440	(4,609)	2,148,831	2,097,474	(1,821)	2,095,653
Net assets	1,585,043	(4,609)	1,580,434	1,574,712	(1,821)	1,572,891
Retained profits	33,115	(4,609)	28,506	22,784	(1,821)	20,963
Total equity	1,585,043	(4,609)	1,580,434	1,574,712	(1,821)	1,572,891

2.5 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.

OS Financial Report

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 2018	Water \$'000	Sewerage \$'000	Other \$'000	Total \$'000
Revenue				
Service Charges (including Trade Waste)	78,065	147,400	102	225,567
Usage Charges (including Trade Waste)	58,233	7,182	2,000	67,415
Government Funded Concessions	4,345	3,946	-	8,291
Government Grants and Compensation	1,404	-	-	1,404
Interest Received	283	319	1	603
Other	16,405	16,048	535	32,988
Total Revenue	158,735	174,895	2,638	336,267
Expenses				
Operations and Maintenance	37,480	36,417	339	74,236
Employee Related Expenses	44,591	45,239	4	89,835
Administration	10,592	10,727	119	21,438
Depreciation	36,830	32,581	656	70,066
Interest Expense	10,623	8,856	227	19,706
Total Expenses	140,116	133,820	1,345	275,281
Profit Before Tax (continuing operations)	18,619	41,075	1,293	60,986
Income Tax Expense	5,587	12,326	388	18,301
Profit After Tax (continuing operations)	13,032	28,749	905	42,685

4. Operating segments (continued)

Segment Results Year Ended 30 June 2017	Water \$'000	Sewerage \$'000	Other \$'000	Total \$'000
Revenue				
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
Total Revenue	151,399	162,048	2,036	315,483
Expenses				
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	36,711	34,771	635	72,117
Interest Expense	10,127	8,539	227	18,893
Total Expenses	129,012	148,156	1,440	278,608
Profit Before Tax (continuing operations)	22,387	13,892	596	36,875
Income Tax Expense	6,721	4,171	179	11,071
Profit After Tax (continuing operations)	15,666	9,721	417	25,804

Recognition and measurement

The Corporation has voluntarily partially 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 Chief Executive Officer (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 CEO 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:

	2018 \$'000	2017 \$'000
Sales revenue		
Water - Service Charge	75,943	74,344
Sewerage - Service Charge	144,036	133,212
Water - Usage Charges	57,374	51,863
Irrigation Income	1,127	629
Trade Waste Income	10,785	10,166
State Government Funded Concessions	8,291	8,555
Other Fees and Charges including New Connections	9,723	11,972
Total Sales Revenue	307,279	290,741
Other revenue		
Contributed Assets and Headwork Charges	24,458	18,850
Government Grants	1,404	1,381
Insurance Recovery - Flood Event	-	2,450
Other	3,126	2,061
Total Other Revenue	28,988	24,742
Total Revenue	336,267	315,483

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.

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:

	2018 \$'000	2017 \$'000
Raw material and consumables		
Power Costs	13,003	11,641
Chemicals	8,411	7,388
Water Commission Rights	2,628	2,560
Total	24,042	21,589
Depreciation expenses		
Infrastructure Assets	58,621	61,212
Buildings and Leasehold Improvements	1,263	1,237
Other Assets	7,206	7,369
Total	67,090	69,818
Amortisation expenses		
Intangibles	2,976	2,299
Total	2,976	2,299
Total Depreciation and Amortisation Charges	70,066	72,117
Employee and related expenses		
Remuneration and On-Costs	90,985	94,695
Less Capitalised Salaries	(4,837)	(6,848)
Restructure Costs	265	5,601
Other Employee and Related Expenses	3,422	3,442
Total	89,835	96,890
Operations and maintenance expenses		
Maintenance and Planning	37,943	35,891
Property Costs	7,440	6,996
Motor Vehicles	2,715	2,828
Flood Recovery Expenses	246	1,264
Other Operations and Maintenance	1,850	2,408
Total	50,194	49,387

6. Expenses (continued)

	2018 \$'000	2017 \$'000
Administration expenses		
Insurance	1,924	1,743
Billing Costs	2,839	2,817
Property Costs	809	1,479
Information Systems and Communications	6,268	5,282
Regulatory Fee	3,237	2,547
Other Administration	6,361	5,864
Total	21,438	19,732
Finance expenses		
Interest Expense - Borrowings	19,265	18,456
Loan Guarantee Fee Expense (paid to Owner Councils)	2,741	2,581
Less Amount Capitalised ¹	(2,698)	(2,527)
Interest Expense - Superannuation	398	383
Total	19,706	18,893
Total Expenses	275,281	278,608

¹ Average capitalisation rate is 4.40 per cent per annum (2017: 4.73 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 has outlaid \$3.8m to address the damage caused. The recovery costs were a combination of capital items (\$2.3m) and operating costs (\$1.5m). Total insurance recoveries were \$2.5m. The final insurance claim is still pending.

7. Income tax equivalents

7.1 Income tax equivalents recognised in Statement of Comprehensive Income

	2018 \$'000	2017 \$'000
Current tax equivalents	9,841	8,356
Adjustments recognised in the current year in relation to the current tax of previous years	-	-
Deferred tax equivalents	8,460	2,715
Prior year adjustments in relation to deferred tax	-	-
Total income tax equivalents expense	18,301	11,071
Attributable to continuing operations	18,301	11,071

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	60,986	36,875
Income tax equivalents calculated at 30%	18,295	11,062
Non-deductible expenses	6	9
	18,301	11,071
Adjustments in current year in relation to the current tax of prior years	-	-
Income tax equivalents expense	18,301	11,071

The tax equivalent rate used in the reconciliation above is the national tax equivalent rate of 30% 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 (gain)/loss on defined benefit scheme	(428)	(513)
	(428)	(513)

7.3 Current tax equivalent assets and liabilities

Opening balance liability / (asset)	737	1,417
Reversal of over-provision for tax in prior year	-	-
National tax equivalent payable	9,842	8,356
Instalments paid - in respect of prior years	(737)	(1,417)
Instalments paid - current year	(8,117)	(7,619)
Closing balance liability / (asset)	1,725	737

7.4 Deferred tax equivalent assets

Deferred tax equivalent assets comprise

Tax losses - revenue	9,083	10,424
Temporary differences	23,708	29,279
Closing balance asset / (liability)	32,791	39,703

7. Income tax equivalents (continued)

Taxable and deductible differences arise from the following:

30 June 2018	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
Deferred tax equivalent assets					
Provisions	11,721	427	(428)	-	11,720
Tax losses	10,424	(1,341)	-	-	9,083
Property, plant and equipment	8,976	(6,356)	-	-	2,620
Other	10,557	(1,188)	-	-	9,369
	41,678	(8,459)	(428)	-	32,791
Attributable to continuing operations	41,678				32,791

30 June 2017	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
Deferred tax equivalent assets					
Provisions	11,461	773	(513)	-	11,721
Tax losses	12,085	(1,661)	-	-	10,424
Property, plant and equipment	9,959	(983)	-	-	8,976
Other	11,401	(844)	-	-	10,557
	44,906	(2,715)	(513)	-	41,678
Attributable to continuing operations	44,906				41,678

Gross cumulative tax equivalent losses of \$30,278,083 (2017: \$34,748,215), and a text effect of \$9,083,425 (2017: \$10,424,465), were brought to account as a deferred tax asset. 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 2018, the Board of the Corporation approved the payment of an interim dividend of \$6,885,803 (2017: \$7,496,372). This interim dividend was paid on 28 February 2018.

On 27 June 2018, the Board approved the payment of a further dividend of \$11,613,294 (2017: \$11,960,171), which was paid on 29 June 2018. Dividends paid were distributed in accordance with each member's equity proportions for distribution purposes as documented in Schedule 3 of the Corporation's Constitution.

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

	2018 \$'000	2017 \$'000
Cash at Bank and on Hand	2,262	2,852
	2,262	2,852

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

Net Profit before Income Tax Equivalents	60,986	36,875
Depreciation and Amortisation Expense	70,066	72,117
Grants of Assets	(1,404)	(1,381)
Loss/(gain) on Sale of Non-current Assets	287	(30)
Contributed Assets	(23,545)	(17,898)

Changes in assets and liabilities

(Increase) Decrease in Receivables	10,311	(7,009)
(Increase) Decrease in Inventory	(186)	(108)
(Increase) Decrease in Prepayments	876	(100)
Increase (Decrease) in Payables	9,134	498
Increase (Decrease) in Employee Benefits	(5,544)	4,430
Increase (Decrease) in Unearned Income	207	(97)
Increase (Decrease) in Other Liabilities	5,478	(157)
Income Tax Equivalents Paid	(8,855)	(9,036)

Cash Inflows from Operating Activities	117,811	78,104
---	----------------	---------------

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

Cash at Bank and on Hand	2,262	2,852
Cash as per Statement of Cash Flows	2,262	2,852

9. Current assets (continued)

The reconciliation of liabilities arising from financing activities for the periods ending 30 June is as follows:

30 June 2018 Liabilities	Cash Flows			Closing balance \$'000
	Opening balance \$'000	Cash Received \$'000	Cash Repayment \$'000	
Borrowings	474,902	256,550	(192,234)	539,218

30 June 2017 Liabilities	Cash Flows			Closing balance \$'000
	Opening balance \$'000	Cash Received \$'000	Cash Repayment \$'000	
Borrowings	430,277	214,351	(169,726)	474,902

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.

9.2 Receivables

	2018 \$'000	2017 \$'000
Current Receivables		
Trade receivables	24,118	35,302
Less allowance for impaired trade receivables	(2,861)	(4,010)
Unbilled water and sewerage income	12,569	11,981
Other current receivables	5,253	5,482
Total	39,078	48,755
Non-current Receivables		
Deferred payment receivables	828	1,034
Total Receivables	39,906	49,789

An ageing analysis of receivables is provided in Note 15.4

9. Current assets (continued)

	2018 \$'000	2017 \$'000
Movement in allowance for impaired trade receivables		
Opening balance	(4,010)	(4,002)
Increase in allowance	(485)	(685)
Reversal of prior year write off	(1)	(10)
Amounts written off during the year	1,635	687
Closing balance	(2,861)	(4,010)

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

	2018 \$'000	2017 \$'000
Stores and consumables	6,198	6,147
Less allowance for obsolete stock	(317)	(452)
Total	5,881	5,695

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.

9.4 Assets classified as held for sale

	2018 \$'000	2017 \$'000
Land and Buildings	5	-

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

	2018 \$'000	2017 \$'000
Infrastructure assets - water		
At Fair Value	1,042,429	981,454
Accumulated Depreciation	(150,198)	(119,069)
	892,231	862,385
Infrastructure assets - sewerage		
At Fair Value	908,224	861,300
Accumulated Depreciation	(145,264)	(116,101)
	762,960	745,199
Freehold land		
At Fair Value	83,369	83,184
	83,369	83,184
Buildings and leasehold improvements		
At Fair Value	32,157	25,777
Accumulated Depreciation	(4,888)	(3,559)
	27,269	22,218
Other assets		
At Cost	58,121	49,115
Accumulated Depreciation	(28,247)	(21,757)
	29,874	27,358
Work in progress		
At Cost	352,419	285,843
	352,419	285,843
Total	2,148,122	2,026,187

10. Property, plant and equipment (continued)

Recognition and measurement

The Corporation uses the revaluation methodology 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 2017	862,385	745,199	80,841	2,343	14,767	7,451	27,358	285,843	2,026,187
Contributed Assets at Fair Value	11,432	12,690	-	-	-	-	-	-	24,122
Additions at Cost	6,283	2,277	-	-	6	-	503	157,169	166,238
Transfers from Work in Progress	43,284	30,820	95	-	6,308	-	10,084	(90,593)	-
Transfers between Asset Classes	(211)	(7)	220	-	-	-	(2)	-	-
Disposals	(283)	(58)	(125)	-	-	-	(863)	-	(1,329)
Assets transferred to Held for Sale	-	-	(5)	-	-	-	-	-	(5)
Depreciation Expenses	(30,661)	(27,960)	-	-	(1,263)	-	(7,206)	-	(67,090)
Net Book Value as at 30 June 2018	892,230	762,960	81,026	2,343	19,818	7,451	29,874	352,419	2,148,122
Net Book Value as at 1 July 2016	876,472	743,732	80,611	2,343	15,854	7,451	30,515	225,834	1,982,812
Contributed Assets at Fair Value	10,112	6,939	220	-	-	-	-	-	17,271
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)
Assets transferred to Held for Sale	-	-	-	-	-	-	-	-	-
Depreciation Expenses	(30,867)	(30,346)	-	-	(1,237)	-	(7,369)	-	(69,819)
Net Book Value as at 30 June 2017	862,385	745,199	80,841	2,343	14,767	7,451	27,358	285,843	2,026,187

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 & Buildings (inclusive of leasehold improvements) are determined by independent valuers every 3 to 5 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 properties similar 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 2018, 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 ending 30 June 2017. The independent expert considered the approach taken by the Corporation to be in line with Australian accounting standards.

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.

10. Property, plant and equipment (continued)

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 Corporation's 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 30/06/2017	Basis for Inputs 30/06/2018	Range of Sensitivities to Base Considered	Relationship of Unobservable Inputs to Fair Value
Discount 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 year rate.	Real pre-tax weighted average cost of capital of 4.44% per annum. The Risk Free Rate of 3.28% 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 year rate.	None	The higher the discount rate, the lower the fair value.
Perpetuity Factor	10 year discount period with a terminal value, based on a perpetuity factor of 23.51, applied for subsequent years.	10 year discount period with a terminal value, based on a perpetuity factor of 24.16, applied for subsequent years.	None	The higher the perpetuity factor, the higher the fair value.
Expected revenue growth	Based on most recent revenue forecast and Corporate Plan estimates.	Based on most recent revenue forecast and Corporate Plan estimates.	Fixed Water Revenue Growth range 3.06% to 3.71% Fixed Sewerage Revenue Growth range 3.00% to 3.66%	The higher the revenue growth rate, the higher the fair value.
Nominal average cost increase	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 2.25% per annum.	None	The higher the nominal average cost increase, the lower the fair value.
Nominal labour cost increase	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average labour cost increase of 3.00% per annum.	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average labour cost increase of 3.00% per annum.	None	The higher the nominal average labour cost increase, the lower the fair value.
Renewal capital expenditure	Capital expenditure as per most recent forecast and Corporate Plan.	Capital expenditure as per most recent forecast and Corporate Plan.	Water Renewal range 41% to 51% Sewerage Renewal range 49% to 59%	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 2018 would be as follows:

As at 30 June 2018:

Asset Group (\$'000)	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets Under Construction	Total
Depreciated replacement cost	1,688,658	1,736,243	64,164	34,372	75,265	352,419	3,951,121
Accumulated depreciation	(415,210)	(465,370)	-	(6,804)	(70,196)	-	(957,580)
Net Carrying Amount	1,273,448	1,270,873	64,164	27,568	5,069	352,419	2,993,541

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	(359,108)	(403,992)	-	(6,804)	(55,569)	-	(825,473)
Net Carrying Amount	1,269,045	1,286,529	63,979	21,254	9,974	285,843	2,936,624

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 2018 would be as follows:

As at 30 June 2018:

Asset Group (\$'000)	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets Under Construction	Total
Cost	2,965,180	2,602,679	64,164	34,930	76,488	352,419	6,095,860
Accumulated depreciation	(1,691,732)	(1,331,806)	-	(7,362)	(71,419)	-	(3,102,319)
Net Carrying Amount	1,273,448	1,270,873	64,164	27,568	5,069	352,419	2,993,541

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	(1,635,630)	(1,270,428)	-	(7,362)	(56,792)	-	(2,970,212)
Net Carrying Amount	1,269,045	1,286,529	63,979	21,254	9,974	285,843	2,936,624

OS Financial Report

11. Intangibles

	2018 \$'000	2017 \$'000
Computer software and systems development		
At Cost	27,117	24,295
Accumulated Amortisation	(11,679)	(8,514)
	15,438	15,781
Work in progress		
At Cost	2,642	4,023
Total	18,080	19,804

Movements in carrying amounts

	Software \$'000	Work in Progress \$'000	Total \$'000
Net Book Value as at 1 July 2017	15,781	4,023	19,804
Additions at Cost	149	1,103	1,252
Transfers from Work in Progress	2,484	(2,484)	-
Amortisation Expenses	(2,976)	-	(2,976)
Net Book Value as at 30 June 2018	15,438	2,642	18,080
Net Book Value as at 1 July 2016	4,174	10,199	14,373
Additions at Cost	183	7,547	7,730
Transfers from Work in Progress	13,723	(13,723)	-
Amortisation Expenses	(2,299)	-	(2,299)
Net Book Value as at 30 June 2017	15,781	4,023	19,804

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.

11. Intangibles (continued)

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.

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 the 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 ten years.

12. Current and non-current liabilities

12.1 Payables

	2018 \$'000	2017 \$'000
Trade Creditors	16,156	9,073
Accrued Expenses	18,700	13,846
Total	34,856	22,919

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. Current and non-current liabilities (continued)

12.2 Borrowings

All borrowings have been transacted through the Tasmanian Public Finance Corporation (Tascorp). The borrowings from Tascorp are secured by a floating charge over revolving assets and a fixed charge over all other collateral.

	2018 \$'000	2017 \$'000
Current Borrowings	90,833	75,784
Non-current Borrowings	448,385	399,118
Total	539,218	474,902

Credit facilities

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

	2018 \$'000	2017 \$'000
Master loan borrowing limit - Tascorp		
Facility	590,000	560,000
Less used / committed	(539,218)	(474,902)
Unused Facility	50,782	85,098
Corporate Mastercard		
Facility	300	300
Less used / committed	(44)	(38)
Unused Facility	256	262

12.3 Unearned income

	2018 \$'000	2017 \$'000
Current		
Government grants	1,359	1,371
Customer contributions	408	201
Other	120	114
Total	1,886	1,686
Non-current		
Government grants	29,813	31,205
Total unearned income	31,699	32,891

12. Current and non-current liabilities (continued)

12.4 Other liabilities

	2018 \$'000	2017 \$'000
Current		
Provision for rehabilitation	3,863	4,142
Non-current		
Provision for rehabilitation	6,750	992
Total	10,613	5,134
Movement in provision		
Opening balance	5,134	5,291
New provisions raised	4,757	296
Outflows during the year	(178)	(119)
Re-measurement	900	(334)
Closing balance	10,613	5,134

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

	2018 \$'000	2017 \$'000
Current		
Annual Leave	7,684	8,759
Long Service Leave	7,527	7,404
Accrued Days Off	205	231
Provision for Restructure	-	3,958
Defined Benefit Superannuation	711	517
Total	16,128	20,869
Non-current		
Long Service Leave	2,161	1,851
Defined Benefit Superannuation	6,982	9,094
Total	9,143	10,945
Total employee benefits	25,271	31,814

The employee benefits provision at 30 June 2018 included attributable on-costs & superannuation of \$2,964,741 (2017: \$3,080,623).

13. Employee benefits (continued)

Defined Benefit Superannuation Plans

Statement of financial position results as at 30 June - Net liability/(asset)	Quadrant		RBF		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current net liability/(asset)	-	-	711	517	711	517
Non-current net liability/(asset)	(348)	510	7,330	8,584	6,982	9,094
Total	(348)	510	8,041	9,101	7,693	9,611

Reconciliation of Fair Value of Scheme Assets	Quadrant		RBF		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Fair value of plan assets at beginning of the year	14,783	14,401	1,887	1,706	16,670	16,107
Employer contributions	444	494	947	603	1,391	1,097
Contributions by plan participants	220	242	44	49	264	291
Taxes and expenses paid	(133)	(146)	-	(16)	(133)	(162)
Benefits paid	(2,848)	(1,661)	(1,278)	(782)	(4,126)	(2,443)
Expected return on plan assets (including interest income)	394	365	274	327	668	692
Expected assets at year end	12,860	13,695	1,874	1,887	14,734	15,582
Actuarial gain/(loss) on assets	1,218	1,088	-	-	1,218	1,088
Individual plan assets at year end	14,078	14,783	1,874	1,887	15,952	16,670
Actual return on plan assets	1,612	1,453	274	327	1,886	1,780

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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Present value of defined benefit obligations at beginning of the year	15,293	15,558	10,988	11,931	26,281	27,489
Current service cost	413	524	88	129	501	653
Interest cost	408	396	463	410	871	806
Contributions by plan participants	220	242	44	49	264	291
Taxes and expenses paid	(133)	(146)	-	(16)	(133)	(162)
Benefits paid	(2,848)	(1,661)	(1,278)	(782)	(4,126)	(2,443)
Expected defined benefit obligations at year end	13,353	14,913	10,305	11,721	23,658	26,634
Actuarial (gain)/loss on liabilities	377	380	(391)	(733)	(14)	(353)
Present value of defined benefit obligations at end of the year	13,730	15,293	9,914	10,988	23,644	26,281

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

13. Employee benefits (continued)

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 the reporting date.

Superannuation

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

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. 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.

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.

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.

14. Compensation of key management personnel

	2018 \$'000	2017 \$'000
Directors		
Short-Term	478,543	474,777
Other Long-Term	-	-
Post Employment (superannuation)	45,460	44,917
Termination Benefits	-	-
Total	524,003	519,694
Other key management personnel		
Short-Term	2,486,099	2,431,131
Other Long-Term	89,887	45,914
Post Employment (superannuation)	211,981	220,536
Termination Benefits	-	83,742
Total	2,787,967	2,781,323
Total compensation of key management personnel	3,311,970	3,301,017

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

15. Financial instruments

15.1 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.

15.2 Financial assets and financial liabilities

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

Financial Instruments	30 June 2018 Carrying Amount \$'000	30 June 2017 Carrying Amount \$'000
Financial Assets		
Cash and cash equivalents	2,262	2,852
Receivables	39,906	49,789
Total Financial Assets	42,168	52,641
Financial Liabilities		
Payables at amortised cost	34,856	22,919
Borrowings at amortised Cost	539,218	474,902
Total Financial Liabilities	574,074	497,821

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.

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 the Statement of Comprehensive Income.

15. Financial instruments (continued)

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'.

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.

15.3 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 2018.

As at 30 June 2018	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			
Financial Assets							
Cash at Bank	2,262	-	-	-	-	2,262	1.75%
Receivables	-	-	-	-	39,906	39,906	
Total	2,262	-	-	-	39,906	42,168	
Financial Liabilities							
Payables	-	-	-	-	(34,856)	(34,856)	
Borrowings	(40,100)	(50,733)	(228,385)	(220,000)	-	(539,218)	4.28%
Total	(40,100)	(50,733)	(228,385)	(220,000)	(34,856)	(574,074)	
Net Financial (Liabilities) Assets	(37,838)	(50,733)	(228,385)	(220,000)	5,050	(531,906)	

15. Financial Instruments (continued)

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			
Financial Assets							
Cash at Bank	2,852	-	-	-	-	2,852	1.75%
Receivables	-	-	-	-	49,789	49,789	-
Total	2,852	-	-	-	49,789	52,641	
Financial Liabilities							
Payables	-	-	-	-	(22,919)	(22,919)	-
Borrowings	(23,150)	(52,634)	(218,213)	(180,905)	-	(474,902)	4.61%
Total	(23,150)	(52,634)	(218,213)	(180,905)	(22,919)	(497,821)	
Net Financial (Liabilities) Assets	(20,298)	(52,634)	(218,213)	(180,905)	26,870	(445,180)	-

The table above highlights that the Corporation's total exposure to variable interest rates at 30 June 2018 was a net liability of \$37,837,561 (2017: \$20,297,616).

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 2018		30 June 2017	
	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	8	(8)	10
Interest Bearing Liabilities - Variable	(140)	140	(81)	81
Total	(132)	132	(71)	71

15.4 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 15.2, the Corporation's maximum exposure to credit risk at reporting date was \$42,168,479 (2017: \$52,641,638).

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.

15. Financial instruments (continued)

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

Receivables	30 June 2018		30 June 2017	
	Gross \$'000	Impaired \$'000	Gross \$'000	Impaired \$'000
Not past due	32,970	(878)	40,718	(1,386)
0 - 30 days	4,102	(105)	4,019	(311)
31 - 60 days	963	(51)	807	(60)
61 - 90 days	875	(51)	819	(83)
91 days and over	3,858	(1,775)	7,436	(2,170)
Total	42,767	(2,861)	53,799	(4,010)

15.5 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 \$100,114,558 at 30 June 2018, its operating cash flows are strong. The deficiency in working capital is due to the existence of current borrowings of \$90,833,215 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 deficiency reduces to \$9,281,343.

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.

	3 months or less \$'000	3 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	> 5 years \$'000	Total \$'000
As at 30 June 2018						
Payables	34,856	-	-	-	-	34,856
Borrowings	55,278	54,309	62,880	219,445	244,386	636,298
Total	90,134	54,309	62,880	219,445	244,386	671,154

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

15.6 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 timeframe 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.

15. Financial instruments (continued)

15.7 Net fair value

At balance date the Corporation did not hold any financial instruments which have been measured at fair value and recognised in 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. 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 2018. The fair value of financial assets and financial liabilities at year end were:

Category	30 June 2018		30 June 2017	
	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
Financial Assets				
Cash at Bank	2,262	2,262	2,852	2,852
Receivables	39,906	39,906	49,789	49,789
Total	42,168	42,168	52,641	52,641
Financial Liabilities				
Borrowings	539,218	552,161	474,902	488,402
Payables	34,856	34,856	22,919	22,919
Total	574,074	587,017	497,821	511,321

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 2018. Borrowings held until maturity are paid at the carrying amount.

15.8 Capital management policy

The Corporation has established a Capital Expenditure Program necessary to achieve business and regulatory objectives as outlined within the Corporation's Price and Service Plan (2018-19 to 2020-21) and 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.

16. Related party disclosures

16.1 Board directors

The Board directors during the financial year ended 30 June 2018 and up to the date of this report were:

- Mr Miles Hampton (Chair)
- Mr Nick Burrows
- Ms Sally Darke
- Dr Stephen Gumley (appointed 16/03/2018)
- Mr Vincent (Tony) Kelly
- Ms Sibylle Krieger (resigned 01/02/2018)
- Mr Peter Lewinsky
- Dr Helen Locher

16.2 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 external customers.

There were no related party transactions requiring disclosure.

17. Commitments

17.1 Capital commitments

Capital commitments as at 30 June 2018 but not provided for in the financial statements were as follows:

	2018 \$'000	2017 \$'000
Payments within 1 year	64,373	78,545
Payments 1 – 5 years	-	774
Payments longer than 5 years	-	-
Reconciliation of Capital Commitments		
Buildings and infrastructure	62,917	78,874
Plant and equipment	1,164	80
Intangibles	292	365
Other	-	-
Total	64,373	79,319

08 Financial Report

17. Commitments (continued)

17.2 Lessee expenditure commitments

	2018 \$'000	2017 \$'000
Lease payments expensed during the period	1,107	1,180
Operating Lease Commitment		
Payments within 1 year	865	999
Payments 1 – 5 years	2,972	2,778
Payments longer than 5 years	2,052	2,184
Total	5,889	5,961

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.

17.3 Lessor income agreements

	2018 \$'000	2017 \$'000
Lease income recognised during the period	492	415
Operating Lease Commitment		
Income within 1 year	408	407
Income 1 – 5 years	1,526	954
Income longer than 5 years	844	304
Total	2,778	1,665

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

18. Contingent assets/liabilities

The Corporation was not aware of any contingent assets or liabilities at the time of finalising the financial report.

19. Remuneration of auditors

	2018 \$'000	2017 \$'000
Financial Statement Audit Services		
Annual external statutory audit fee	123	126
Annual external regulatory audit fee	15	15
Total	138	141

Acronyms

Term	Description
AAR	Audit and Risk Committee
ADWG	Australian Drinking Water Guidelines
ANCOLD	Australian National Committee of Large Dams
ASX	Australian Securities Exchange
BWA	Boil Water Alert (Public Health Alert)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CWC	Capital Works Committee
DNC	Do Not Consume notice (Public Health Alert)
DoH	Department of Health
EPA	Environment Protection Authority
EPH	Environment and Public Health Committee
IDEA	Innovation Driving Every Day (program)
ITA	Industrial trade waste agreement
LTIFR	Lost Time Injury Frequency Rate
LTSP	Long Term Strategic Plan
MOU	Memorandum of Understanding
OCC	Operations Control Centre
ORG	Owners' Representatives Group
PHA	Public Health Alerts
PLL	Potential Loss of Life
PSP2	Price and Service Plan July 2015-June 2018
PSP3	Price and Service Plan July 2018-June 2021
SPS	Sewage pumping station
STP	Sewage treatment plant
STP (level 1)	Sewage treatment plant that processes less than 100 kilolitres of sewage per day, regulated by the relevant council
STP (level 2)	Sewage treatment plant that processes more than 100 kilolitres of sewage per day, regulated by the EPA
TER	Tasmanian Economic Regulator
TRIFR	Total Recordable Injury Frequency Rate
UTAS	University of Tasmania
WTP	Water treatment plant