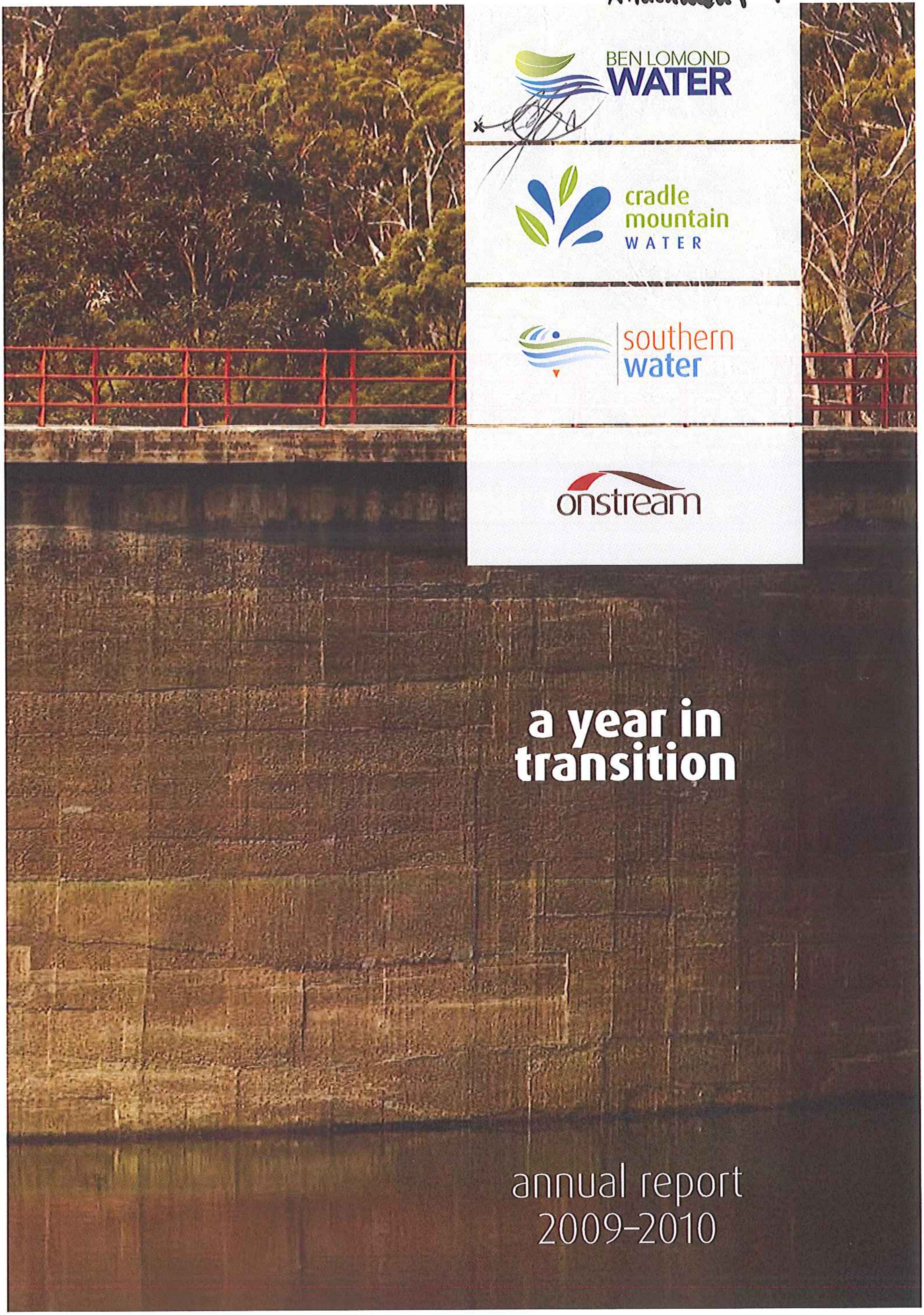
Attachment 1



BEN LOMOND WATER

cradle mountain WATER

southern water

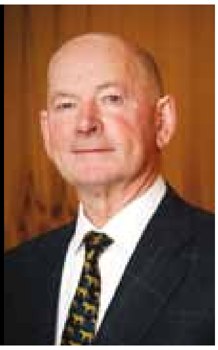
onstream

a year in transition

annual report 2009-2010

Chairman's Report

A year in transition



The first year of operation of the Regional Corporation Delivery Model is well described as a year in transition. The challenge involved was extensive and, on behalf of the Boards of Directors, I am pleased to report that the Corporations embraced change and made steady progress throughout the year.

Planning the 1 July 2009 start-up was a major exercise. The care and effort involved in that planning was well rewarded with a relatively smooth start to our operations. Management appointments, mainly from within the complement of staff transferred to the Corporations, quickly settled the organisations and as the first months progressed, our teams formed the sort of cohesion that would set the pre-conditions for improved business processes.

The Corporations mapped out an extensive program for the first 100 days of operation to ensure that the new legislative requirements were met, that a governance and policy framework was grounded and to ensure that all our staff gained a sense of identity with the new businesses. This was a particularly important phase in structuring the shared services activities of Onstream. Again the attention to planning and careful execution enabled the business fabric to be implemented quickly and effectively.

Our focus continues to be on improving business systems so that water and sewerage services can be delivered efficiently and sustainably. Real progress has been made in this transition year. However, we need to acknowledge that the lack of a ready-made billing system at the outset was a significant issue throughout the year and this prevented community confidence from growing at the same pace as the underlying improvements in the Corporations. Our most important business target for the year ahead is the design, development and implementation of a new billing system.

Strategic planning sessions with the Boards and management set the parameters for the corporate plans for 2011-13. These corporate plans were presented to Owners' Representatives in a series of meetings and were adopted by Owner Councils in April 2010. Together with the Shareholders' Letters of Expectation, the corporate plans provide an agreed and well documented road map for the Corporations. We are very grateful to the Owners' Representatives in fostering these formal relationships between the Corporations and our Owner Councils and we are confident that the effort expended in setting this up will pay off in the years ahead.

The financial performance of the Corporations was credible for year one of operations. For the most part, agreed targets were met or exceeded. In total $16.2 million was distributed to owners by 30 June 2010.

Capital expenditure for all Corporations over the year amounted to $72 million compared with a capital expenditure level of some $30 million per annum in the five years before the Corporations were formed. The capital projects were largely those initiated by councils prior to 1 July 2009 and this lift in the capital plan provides an excellent lead-in to the extensive program now formulated for consideration by the Regulators. The bulk of the capital expenditure was on upgrades to water and sewerage infrastructure, designed to meet licence conditions, thereby reducing public health risks.

The Regional Corporations operate under interim licences and in accordance with the requirements of those licences, draft management plans for water and for wastewater were lodged in July 2010. These plans respond to the Regulators' requirements on each Corporation and set down the work program for the next five years. We consider that the quality of work undertaken in formulating these plans is of the highest order and is a major achievement in our transition year. Further consultation with the Regulators over the next year will see these draft plans finalised and incorporated into the Prices and Services Plan in 2011.

The State Government's decision to cap water and sewerage charges at 5 per cent for the duration of the Interim Price Order remains a concern for the respective Corporations' Boards. The Corporations acknowledge the State Government's decision to pay the rebate; however, once this arrangement ends, the Boards are conscious of the potential pricing impact, its effect on customers, returns to owners and revenue the Corporations require to fund the long-term infrastructure improvements required to satisfy regulatory priorities set by our health and environment regulators. In addition to this, the 5 per cent cap significantly constrains the Corporations' ability to restructure tariffs to achieve equitable pricing for all customers.

A review of the Governance section of the Annual Report will show that your directors met as Boards, or as Committees of the Board, on 88 occasions during the year ended 30 June 2010. It was a massive effort for all involved to carefully shape a governance structure to oversee the business and, at the same time, enable development and change. I am very grateful for the commitment and support provided by the entire complement of directors.

A review of the Corporations' reports will show the dedication and energy of the CEOs and their senior management teams. The challenge of moving from multiple council operations into a corporate structure and taking all the staff on a journey to be a public health and environmental management business is no small feat. Our executives have demonstrated excellent leadership and I thank them for their passion.

Despite the very clear focus on safety and the huge effort to identify and eliminate hazards, we have to acknowledge that workplace safety is not yet where we would like it to be. I ask that we all take greater care to make our workplaces much safer in the future.

Imagine what it must have been like for many of our long-term staff being moved into a completely new environment. There was significant personal adjustment required this year. I thank all of the people in the Corporations for the way they have embraced the challenge.

It is with pleasure that we present the 2010 Annual Reports.

Geoff L Willis

Chairman

Corporate Governance

Industry Governance Structure

The governance structure for the Tasmanian water and sewerage industry was released by the Tasmanian Government Ministerial Water and Sewerage Taskforce early in 2008. Known as the Local Government Owned Regional Model, the structure was formalised under the *Water and Sewerage Corporations Act 2008 (Tas)* (WSCA). The *Water and Sewerage Industry Act 2008 (Tas)* was passed by Parliament at the same time and governs the regulatory framework for the industry, particularly the establishment and operations of the Office of the Economic Regulator.

The WSCA established the four Corporations within the industry which are:

- Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd, trading as Ben Lomond Water
- Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd, trading as Cradle Mountain Water
- Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd, trading as Southern Water
- Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd, trading as Onstream.

Ben Lomond Water, Cradle Mountain Water and Southern Water (Regional Corporations) were incorporated on 13 November 2008 while Onstream was incorporated on 9 December 2008. The four Corporations are proprietary companies limited by shares under the *Corporations Act 2001* (Cth).

The Regional Corporations are owned in equal shares by all local government councils in their respective regions, while Onstream is owned equally by the three Regional Corporations. Each Corporation's Annual Report specifies its owners in more detail.

Amongst other things, the WSCA prescribes several important governance features, including:

- Ownership structure
- Principal objectives of each Corporation
- Roles and powers of owner councils
- Composition, roles and powers of Owners' Representatives
- Composition, roles and responsibilities of the (directors') Selection Committee
- Appointment and removal of directors
- Composition, duties and powers of the Boards
- Requirements for corporate plans for each Corporation
- Requirements for Shareholders' Letters of Expectation (SLEs) for each of the Regional Corporations.

The WSCA also serves to displace certain provisions of the *Corporations Act*, including:

- Appointment and removal of auditors
- Corporation fundraising activities
- Directors' duties.

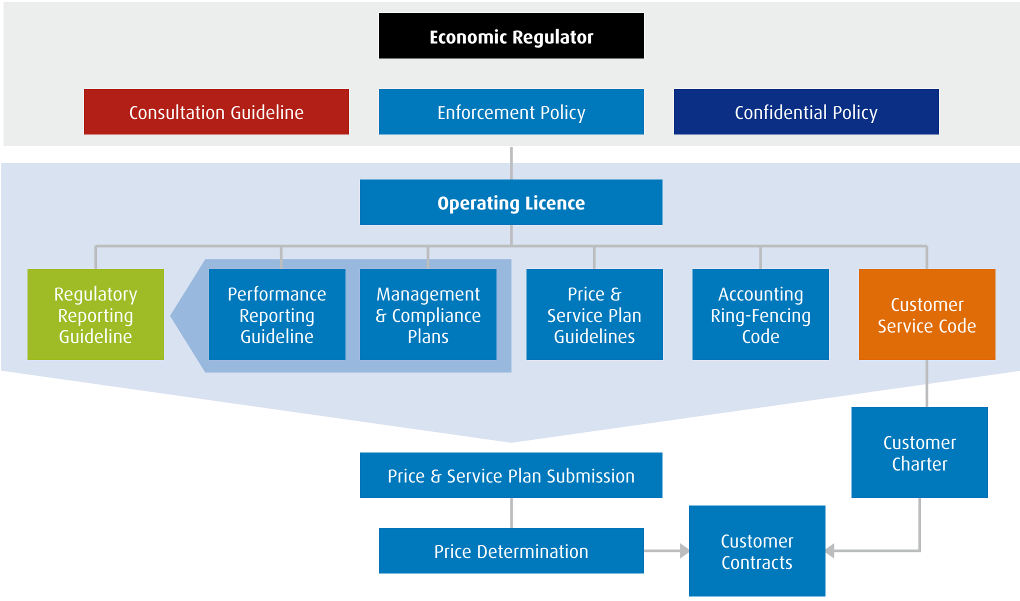
In other areas not formally displaced, the Corporations' rights, powers, responsibilities and obligations are similar to other privately owned, large proprietary limited companies.

Under applicable Treasurer's Instructions designed to comply with National Competition Policy, the four Corporations are obliged to pay income tax equivalents and guarantee fees to Owner Councils. Guarantee fees are paid to ensure each Corporation is exposed to the equivalent commercial pressures and risk associated with borrowings.

Regulation

Each Regional Corporation currently operates under an Interim Licence, which will be converted into a formal Operating Licence. This Operating Licence is part of an integrated Economic Regulatory Framework as shown below:

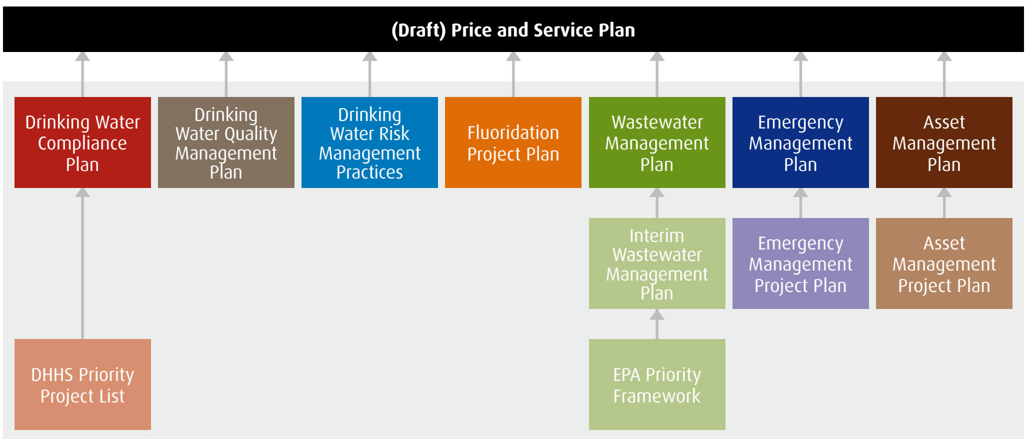
Water and Sewerage Economic Regulatory Framework



The Regional Corporations are currently developing their Customer Charters in accordance with the Customer Service Code and are required to submit a draft Price and Service Plan by 30 June 2011.

As part of this process, each Regional Corporation signed a Compliance Implementation Plan with the Water and Sewerage Economic Regulator, the Director of Public Health and the Director of the Environment Protection Authority. The components required in the development of the draft Price and Service Plan, and included in the Compliance Implementation Plan, are shown in the schematic below:

Compliance Implementation Plan



Details and the status of each of these components are as follows:

Drinking Water Risk Management Practices

The Regional Corporations provided a report to the Health Regulator in December 2009 detailing the adequacy of risk management practices being used to manage drinking water supply systems that are currently non-compliant with the health-based guideline values, as specified in the Australian Drinking Water Guidelines.

Dept of Health & Human Services Priority Project List

In December 2009 the Health Regulator provided public health priority project lists to the Regional Corporations to provide guidance in determining priority projects.

Drinking Water Compliance Plan

Each Regional Corporation submitted a plan to the Health Regulator in early July 2010; a plan, as defined in the Tasmanian Drinking Water Quality Guidelines, detailing agreed long-term strategies and timelines to achieve compliance for all non-compliant drinking water supply schemes. This plan includes the Capital Works Program prepared in accordance with the Health Regulator's priorities.

Drinking Water Quality Management Plan

In early July 2010 each Regional Corporation submitted a Drinking Water Quality Management Plan in accordance with the Tasmanian Drinking Water Guidelines.

Fluoridation Project Plan

Each Regional Corporation submitted a plan in early July 2010 containing agreed long-term strategies and timelines to achieve compliance for non-compliant fluoridation systems.

EPA Priority Framework

In December 2009 the Environmental Regulator provided the Regional Corporations with priority project frameworks to provide guidance in determining project priorities.

Interim Wastewater Management Plan

Each Regional Corporation, in July 2010, submitted an agreed Interim Wastewater Management Plan consistent with Schedule B of the Interim Licence. These interim plans set out the deliverables and associated actions to be undertaken by the Regional Corporations during the period 1 July 2010 to the end of the period covered by the Economic Regulator's first pricing determination, expected to be June 2015. This interim plan includes the Capital Works Program prepared in accordance with the Environmental Regulator's priorities.

Wastewater Management Plan

This plan is a finalisation of the interim plan and is to be agreed and submitted to the Environmental Regulator by 30 June 2011.

Emergency Management Project Plan

In December 2009 each Regional Corporation submitted an Emergency Management Project Plan. This detailed the 'high-level' approach and associated milestones for completing the Emergency Management Plan.

Emergency Management Plan

Each Regional Corporation submitted an Emergency Management Plan to the Economic Regulator in July 2010, prepared in accordance with good industry practice.

Asset Management Project Plan

In December 2009 each Regional Corporation submitted an Asset Management Project Plan setting out the 'high-level' approach and timelines for completing an Asset Management Plan.

Asset Management Plan

By June 2011 each Regional Corporation is to complete and submit to the Economic Regulator an Asset Management Plan in accordance with the Project Plan and good industry practice.

Board Structure

The WSCA prescribes the Boards of each Regional Corporation will comprise the Board Chairman and three non-executive directors who are common to the three Boards and two non-executive directors who are appointed to each individual Board.

Onstream's Board comprises the Board Chairman and the three Regional Corporation CEOs. The WSCA also allows for two additional directors to be appointed on the Treasurer's approval. After receiving this approval and the endorsement of the statewide Owners' Representatives, two additional non-executive directors were appointed to Onstream's Board in August 2009 to strengthen its independence.

The Boards generally hold separate meetings, although three combined meetings and a combined strategic workshop were held during the year. Except where specific issues of particular confidentiality arise, the Board Committees meet together. This allows the knowledge and expertise of the eleven non-executive directors to be shared with all Corporations as well as enhancing the consistency of relevant policies and frameworks across the Corporations.

Geoff Willis B.Comm, MBA, CPA, MAICD

(Appointed 13 November 2008 Term 1)

Geoff has a commercial and industrial background and has undertaken a number of senior leadership roles during the past decade. As Chairman of the Tasmanian Water and Sewerage Corporations, Geoff is a Commissioner of the Tasmanian Planning Commission. Geoff is the Chairman of Colorpak Limited, an ASX listed public company, and director of Aurora Energy Pty Ltd. He is also the Chairman of the Tasmanian Symphony Orchestra and a Trustee of the Tasmanian Museum and Art Gallery. Geoff is the former CEO of the Hydro Electric Corporation.

Brian Bayley Dip.Civ.Eng

(Appointed 26 November 2008 Term 1; Reappointed 1 January 2010 Term 2)

Brian is the former CEO of Melbourne Water and past Chairman of both the Water Services Association of Australia (WSAA) and Victorian Water Association. With over 35 years in the water industry, Brian is currently a Civil Engineering Consultant who brings a portfolio of industry knowledge and change management experience to the new Corporations. Brian is Chair of the respective Safety, Human Resources, Environment and Public Health (SHREP) Committee for each Corporation.

Figure 1: Membership of each Board

Ben Lomond Water Board	Cradle Mountain Water Board	Southern Water Board	Onstream Board
Geoff Willis (Chairman)	Geoff Willis (Chairman)	Geoff Willis (Chairman)	Geoff Willis (Chairman)
Brian Bayley	Grant Atkins	Brian Bayley	Jane Bennett
Miles Hampton	Brian Bayley	Roger Gill	Barry Cash
Sarah Merridew	Miles Hampton	Miles Hampton	Miles Hampton
Dan Norton	Tony MacCormick	Dan Norton	Andrew Kneebone
Liz Swain	Dan Norton	Rob Woolley	Mike Paine

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

(Appointed to Regional Corporations 26 November 2008 and Onstream 11 August 2009 Term 1; Reappointed 1 January 2010 Term 2)

Miles is currently a director of MyState Limited, Australian Pharmaceutical Industries Ltd, Forestry Tasmania and the Van Diemen's Land Company, and is Chairman of the UTAS Foundation. Miles was Chairman of Hobart Water from 2005-2009 and has been a director of ASX-listed companies Ruralco Holdings Limited, HMA Limited, Gibsons Limited and Wentworth Holdings Limited. He was Managing Director of ASX-listed agribusiness Roberts Limited for 20 years. Miles is Chairman of the Audit and Risk Committee for each Tasmanian Water and Sewerage Corporation.

Dan Norton **Ph.D., M.Ec, B.Ag.Science (Hons)**

(Appointed 26 November 2008 Term 1)

Dan is currently Chairman, Tasmanian Ports Corporation Pty Ltd; Chairman, Menzies Research Institute; Deputy Chairman, Aurora Energy Pty Ltd and director, Trinitas Pty Ltd. Dan is an experienced Chairman and CEO who has worked in the electricity industry, central government agencies and in international commodity marketing.

He is also a former Managing Director of the Hydro Electric Corporation and Aurora Energy and former Chairman of the National Electricity Market Management Company (NEMMCO).

Liz Swain **MBA, Dip. AppSci (Chemistry), Dip.Metallurgy, Grad.Dip.Bus**

(Appointed 26 November 2008 Term 1; Reappointed 1 January 2010 Term 2)

Liz has been employed by Rio Tinto for over 40 years in various leadership, management and technical roles including research/quality metallurgist; site trainer; health, safety and environment management and superintendent of each of Bell Bay's site operations areas, plus maintenance and engineering accountability. She is currently Technical and Services Superintendent.

Liz has extensive experience working with larger teams in the workforce in areas of health, safety, environment and quality systems and has worked for many years to reduce risk and manage change in the workplace.

Liz is the former Chair of Esk Water and was a director on Esk Water's Board for 10 years. She is the current Chair of Northern Regional Support Group (housing for disabled); Vice President of Diving Tasmania and a director of her family business. Liz's past community involvement includes Youth Suicide Prevention (Time Out), Ben Lomond Ski Patrol, Tasmanian Enterprise Workshop and a former Tasmanian Business Woman of the Year.

Sarah Merridew **B.Ec, FAICD, FCA**

(Appointed 26 November 2008 Term 1)

Sarah is a Chartered Accountant and a director of both MyState Limited and Tasmanian Railway Pty Ltd. Sarah is also Honorary Treasurer of the Royal Flying Doctor Service (Tasmanian Section) Inc and is actively involved with other community organisations.

Sarah was formerly a director of Tasmanian Public Finance Corporation and Tasmanian Perpetual Trustees and a partner of Deloitte Touche Tohmatsu, which included a period as Managing Partner for Tasmania. Sarah has extensive experience in providing audit, risk management, governance, and business advisory services to the public and private sectors.

Grant Atkins **FLGMA, GAICD, JP**

(Appointed 26 November 2008 Term 1; Reappointed 1 January 2010 Term 2)

Grant is a former General Manager of the Latrobe and Kentish Councils and is also a director with the Dulverton Waste Management Authority.

Grant has previously served as a council representative member on various local government authorities including the Cradle Coast Water Authority. He is currently a member of the Tasmanian Local Government Association Standards Panel.

Tony MacCormick B.ChemEng (Hons), Dip.Bus, FAICD

(Appointed 26 November 2008 Term 1)

Tony is presently the Chair of Dulverton Waste Management and was formerly the Chair of Cradle Coast Water. Tony has extensive experience in the water industry with Siemens Water Technologies and was a director of the Cooperative Research Centre for Waste Management and Pollution Control.

Roger Gill B.E, MAICD

(Appointed 26 November 2008 Term 1)

Roger is a qualified Civil Engineer and has over 30 years experience in the renewable energy and water sectors. Roger is Principal Consultant in his Hydro Focus Pty Ltd consulting business which specialises in providing advice on the sustainable development and operation of renewable energy projects and businesses. He has a particular interest in promoting renewable energy growth in developing countries and has recently been active in southern Africa. Roger has extensive corporate governance experience through his other roles as a director of the Tasmanian Irrigation Development Board Pty Ltd, Tasmanian Railway Pty Ltd, and the Tasmanian Renewable Energy Industry Development Board. He has been a Vice President of the UK-based International Hydropower Association (IHA) since 2001. His business capabilities have been enhanced through studies at Harvard Business School.

Rob Woolley B.Ec (Tas), FCA

(Appointed 26 November 2008 Term 1)

Rob is Chairman of Tasmanian Pure Foods Ltd and the Tasmanian Forests and Forest Industry Council; and a director of Tandou Ltd based in Mildura. Rob is also Chairman of Freycinet Coast Financial Services Ltd which owns a Bendigo Community Bank franchise and operates bank branches in Swansea and Bicheno.

Rob is a director of the CRC Forestry Ltd, a Cooperative Research Centre funded by the Federal Government, Forest Industry (Corporate Sector) and six universities.

Rob's background includes partner at Deloitte Touche Tohmatsu in Tasmania and Managing Director of Webster Ltd.

Jane Bennett

(Appointed 11 August 2009 Term 1)

Jane Bennett is Managing Director of Ashgrove Cheese. She has made major contributions to the agricultural sector through the Tasmanian Rural Industry Training Board and the Tasmanian Farmers and Graziers Association. Jane is a member of the Brand Tasmania Council and has received a number of awards and scholarships, including being awarded ABC Radio's Australian Rural Woman of the Year in 1997.

Barry Cash B.Eng (Civil), Grad. Dip. Management, FAICD, MIE (Aust)

(Appointed 12 January 2009)

Barry was appointed CEO of Ben Lomond Water with effect from 12 January 2009 and is the former CEO of Esk Water. He has an engineering and general management background and has been involved in the Tasmanian water industry for over 30 years.

Under WSCA, Barry is a director of Onstream, as part of his responsibilities as a Regional Corporation CEO.

Andrew Kneebone MBA, MAICD

(Appointed 4 June 2010)

Andrew was appointed CEO of Cradle Mountain Water on 4 June 2010 after acting in the role for a period of six months. Andrew moved to Tasmania having spent the previous 12 years in the Victorian water industry where he held a range of senior and executive level positions in the areas of regulation, organisation development, finance, governance and corporate services. He formerly held the roles of General Manager, Finance and Corporate Services at Central Highlands Water and General Manager, Corporate Services at Westernport Water.

Under the WSCA, Andrew is a director of Onstream, as part of his responsibilities as a Regional Corporation CEO.

Mike Paine B.Eng (Civil), Grad. Dip. Eng (Municipal Management), FIE (Aust), RPEQ, GAICD

(Appointed 16 February 2009)

Mike was appointed CEO of Southern Water in January 2010, after moving from the position of CEO Cradle Mountain Water. Mike comes to Tasmania from a career in the Victorian water industry. He is the former General Manager, Customer Services of Barwon Water and CEO of Westernport Regional Water Authority.

Under the WSCA, Mike is a director of Onstream, as part of his responsibilities as a Regional Corporation CEO.

Danny Sutton B.A., MBA Executive

(12 January 2009 – 16 November 2009)

Danny was CEO of Southern Water from 12 January 2009 until 16 November 2009. He is an experienced manager in the water industry, having had several executive management roles at Hobart Water and is now heading up the Water Metering Tasmania Project for the three Regional Corporations.

Under the WSCA, Danny was a director of Onstream, as part of his responsibilities as a Regional Corporation CEO.

Board role

Except for those matters that are within the powers of the collective members, each Board is responsible for managing the business of its respective Corporation, having regard to the requirements of its Shareholders' Letter of Expectation. The statement of Matters Reserved to the Board is on each Corporation's website; however, the major functions of the Board include:

- Appointing and monitoring the performance of the CEO
- Clearly identifying and approving the Corporation's strategic direction
- Identifying and addressing the Corporation's principal risks
- Monitoring the conduct and performance of the Corporation
- Ensuring the business is conducted in an honest, open and ethical manner
- Ensuring that adequate succession planning occurs.

Board Committees

With the approval of Owners' Representatives statewide, each Board has established two permanent Committees: the Audit and Risk (AAR) Committee and the Safety, Human Resources, Environment and Public Health (SHREP) Committee.

Audit and Risk Committee

The Audit and Risk (AAR) Committees are charged with assisting each Board fulfil its responsibilities to the owners in relation to:

- The integrity of the Corporation's financial accounting and reporting practices
- The adoption of appropriate risk management strategies
- Compliance with all legal and statutory obligations.

The Committee Charters and activities seek to align with ASX Corporate Governance Principles 4 and 7.

In respect of financial accounting, the Committees' responsibilities are to ensure the quality and accuracy of published financial reports. They approve accounting policies and oversee the external and internal audit processes.

In 2009-10, a significant undertaking was the Asset Valuation Project, completed for the three Regional Corporations. While the primary aim was to establish Balance Sheet values as at 1 July 2009, the ongoing benefits include the highly detailed asset registers now populated for major asset classes and the standardised approaches to asset lives and depreciation methodologies.

The internal audit function was established late in the year.

In respect of risk management, the Committees seek to ensure that all material business risks are properly considered.

The AAR Committees are charged with establishing the overall framework for risk management for all Corporations. The risk management framework has been designed to comply with AS/NZ 4360:2004 Risk Management Standard and also aligns with the system-wide approach of the new ISO 31000:2009.

Each Regional Corporation Board has reserved the oversight of dam safety as its responsibility and has delegated the management of certain other risks to the respective SHREP Committee. The AAR Committees have responsibility for the identification and management of all risks not reserved for the Board or SHREP.

All major risks have been identified. However, in some instances detailed risk mitigation strategies are yet to be finalised.

The AAR Committees for each Corporation met on six occasions, with Cradle Mountain Water's Committee meeting on an additional occasion to address the fraud discovered in the Corporation.

Safety, Human Resources, Environment and Public Health Committee

The Safety, Human Resources, Environment and Public Health (SHREP) Committee for each Corporation was established to assist each Board in fulfilling its responsibilities relating to:

- The establishment and ongoing maintenance of the highest standards in workplace safety
- The management, engagement and development of the business's people
- Compliance with the business's water quality and public health obligations
- Compliance with environmental obligations.

Onstream's SHREP Committee does not focus on public health (water quality) nor environment (wastewater quality) compliance as these do not apply to Onstream's operations.

The primary focus for the year has been on workplace safety and supporting the Corporations to establish cultures of 'No Harm' throughout. Initiatives included:

- Safety audits and remedial work for high risk chlorine and fluoride installations
- Increased emphasis on the reporting and elimination of safety hazards
- The development of monthly safety performance reports for review by each Board.

The Committees have supported the Corporations to develop and implement employee engagement surveys which underpin actions to ensure that all employees are equipped with the information and resources necessary to deliver excellent business outcomes.

The Committees have also assisted to establish the framework for the negotiation of each Corporation's first Enterprise Agreement.

The focus on public health and environmental compliance has been aimed at establishing data and reporting systems to inform the Regional Corporation Boards on performance towards meeting the public health (drinking water) and environmental (predominantly wastewater treatment plant discharges) standards set down by the State's Public Health and Environmental Regulators respectively. This work has also informed the development of each Regional Corporation's Water and Wastewater Compliance Implementation Plans which provide the 'road map' for infrastructure upgrades necessary to meet these obligations.

Another important initiative has been agreeing protocol for the introduction and lifting of boil water notices with the public health regulator, the Department of Health and Human Services.

The Committees are also responsible for overseeing the development and implementation of mitigation plans for risks captured within the Corporation's Safety, Human Resources, Environment and Public Health risk focus areas.

Each SHREP Committee met on four occasions in the year under review.

Corporate Governance Framework

Although not mandatory, the Corporations' corporate governance framework aligns with the *ASX Corporate Governance Principles and Recommendations, second edition (ASX Principles)*. In accordance with the intent of the ASX Principles, the Corporations' frameworks have been adapted to suit their particular circumstances.

Table 2 summarises how the Corporations comply with the ASX Principles, with explanations where special circumstances exist. A comprehensive description is also available on each Corporation's website.

Corporate Secretariat

In line with the spirit of the Tasmanian water and sewerage industry reform, the four Corporations elected to establish a centralised Secretariat, Chief Financial Officer and Chief Information Officer, located in Onstream.

The Secretariat has been operating since April 2009. One Corporate Secretary, appointed to all Corporations, manages the Secretariat. The Secretariat administers the corporate governance framework for all Corporations, supports all Boards and Committees and the Chairman's office, attends to directors' administration, coordinates all Board and Committee meetings and associated processes, maintains all registers required under Corporations Law, and supports the meetings of statewide Owners' Representatives and the (directors') Selection Committee.

In 2009-10, the Secretariat facilitated four Annual General Meetings and 88 Board and Committee meetings. The Secretariat also established an online Board Portal so all directors can access current and historical Board and Committee papers, Board policies, administrative procedures, and industry and research papers at any time.

The Secretariat also manages the legal compliance framework and internal audit function and coordinates the placement of the insurance portfolio for all Corporations.

Chief Financial Officer

The centralised finance function provides one Chief Financial Officer (CFO) for all four Corporations. This ensures a consistent approach to policy development and advice regarding treasury issues, accounting standards and their interpretations. The CFO provides financial accounting support, and a centralised accounts and payroll processing function. Additional responsibilities include liaison with the Department of Treasury and Finance regarding pensioner concessions, government rebates and guarantee fees along with coordinating external audits and accounting treatments with the Auditor-General, and oversight of the Tascorp loan portfolio. Furthermore, the CFO is a focal point for liaison with the Australian Taxation Office for submission of Fringe Benefits Tax, Income Tax and GST returns.

Chief Information Officer

The Chief Information Officer (CIO) oversees the establishment and monitoring of information technology (IT) governance with the formation of an industry-based IT Steering Committee and IT special interest groups. The CIO also chairs the IT Steering Committee with responsibilities including the development of a commonly-based IT strategy, a three year rolling action plan, and a knowledge management strategy. On behalf of the four Corporations, the CIO provides further liaison with major vendors to ensure supply, support and licensing arrangements, high level client liaison and strategic advice, liaison with ICT industry groups such as TasICT and the Australian Computer Society and with Government regarding ICT policy developments, including the National Broadband Network. The CIO is the Project Director for the Corporations' priority joint project, the implementation of the new Customer Information System.

Governance Focus in 2009-10

In 2009-10, the Boards' governance activities focussed on a number of important matters. The first Strategic Workshop for the four Corporations was held in November 2009. Attended by all directors and representatives from the four executive teams, the Corporations developed strategies to meet the reform objectives, capture statewide benefits, address strategic asset management, achieve operational excellence and manage financial performance. These strategies are incorporated in each Corporation's corporate plan 2010-13.

In August 2009, Onstream appointed Miles Hampton, common director and AAR Chairman, and Jane Bennett, a director independent of all Corporations, to its Board, in line with the approval from the Treasurer and statewide Owners' Representatives.

The directors of all Corporations evaluated their collective and individual performance in 2009-10, with the outcomes discussed with statewide Owners' Representatives. The Boards developed policies and processes for periodically refreshing each Board and commenced the planned rotation of directors' terms accordingly. The Boards also developed policy on the reappointment of incumbent directors as well as a Shareholder Relations Policy that articulates each Board's commitment to continuous disclosure, regular communications with Owners' Representatives and communications with Owner Councils as issues arise. In April 2010, these policies and processes were endorsed by statewide Owners' Representatives on behalf of member councils in all regions.

The Corporate Secretary also works with statewide Owners' Representatives to increase the understanding of owners' roles and rights and to enhance the participation of member councils at Annual General Meetings.

In May 2010, under the terms of the Chairman's appointment, the four Boards recommended to the Selection Committee and Owners' Representatives that the specific requirements of the role of Executive Chairman had been fully met. Both the Selection Committee and Owners' Representatives endorsed the recommendation with effect from 6 May 2010 and from that date the role of Chairman accords with the definition under the WSCA.

Table 1: Directors' attendances at meetings	Geoff Willis (Board Chair)	Brian Bayley (SHREP Chair)	Miles Hampton (AAR Chair)	Dr Dan Norton	Sarah Merridew	Elizabeth (Liz) Swain	Grant Atkins	Tony MacCormick	Roger Gill	Robert Woolley	Jane Bennett	Barry Cash	Andrew Kneebone	Mike Paine	Danny Sutton
BOARD MEETINGS															
Ben Lomond Water															
Eligible to Attend	12	12	12	12	12	12									
Attended	12	11	12	12	10	11									
Cradle Mountain Water															
Eligible to Attend	12	12	12	12			12	12							
Attended	12	11	11	12			12	12							
Southern Water															
Eligible to Attend	13	13	13	13					13	13					
Attended	13	12	13	13					12	11					
Onstream															
Eligible to Attend	10		10								10	10	1	10	4
Attended	10		9								10	10	1	10	1
AUDIT AND RISK (AAR) COMMITTEE MEETINGS															
Ben Lomond Water															
Eligible to Attend	*		6	6	6										
Attended	6		6	5	6										
Cradle Mountain Water															
Eligible to Attend	*		7	7			7								
Attended	7		7	6			7								
Southern Water															
Eligible to Attend	*		6	6						6					
Attended	6		6	5						6					
Onstream															
Eligible to Attend	5		5								5				
Attended	5		5								5				
SAFETY, HUMAN RESOURCES, ENVIRONMENT AND PUBLIC HEALTH (SHREP) COMMITTEE MEETINGS															
Ben Lomond Water															
Eligible to Attend	4	4				4									
Attended	3	4				4									
Cradle Mountain Water															
Eligible to Attend	4	4						4							
Attended	3	4						4							
Southern Water															
Eligible to Attend	4	4							4						
Attended	3	4							3						
Onstream															
Eligible to Attend	4	4										4	0	4	1
Attended	3	4										4	0	4	0
STRATEGY WORKSHOP	1	1	1	1	1	1	1	1	1	1	1	1	1	1	

* Board Chair is ex-officio member of all Board Committees but a formal member of Onstream Committees.

Table 2:

Tasmanian Water and Sewerage Corporations' Corporate Governance Framework 2009-10

The Corporations are not subject to the ASX Corporate Governance Principles and Recommendations[1]; however, they have elected to align their corporate governance frameworks with the ASX Principles. Where necessary, the ASX Principles have been tailored to suit the Corporations' industry structure, ownership, context and size. The following table summarises where the Corporations comply with the ASX Principles.

A full description of each Corporation's alignment with the ASX Principles is available on their respective websites.

Principle 1 –	LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT Companies should establish and disclose the respective roles and responsibilities of Board and management.
✓	1.1. Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
✓	1.2. Companies should disclose the process for evaluating the performance of senior executives.
✓	1.3. Companies should provide the information indicated in the Guide to Reporting on Principle 1.

Principle 2 –	STRUCTURE THE BOARD TO ADD VALUE Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
✓RCs ✗ONS	2.1. A majority of the Board should be independent directors. • As required under the *Water and Sewerage Corporations Act*, Onstream's Board comprises three non-executive directors, including the common Chairman, and the three Regional Corporation CEOs. The three Regional Corporation CEO-directors are not considered independent as they have significant commercial arrangements with Onstream.
✓	2.2. The Chair should be an independent director.
✓	2.3. The roles of Chair and Chief Executive Officer should not be exercised by the same individual.
🛠	2.4. The Board should establish a nomination committee. • Information on the composition and operation of the Selection Committee is provided in the Statement of Corporate Governance Disclosures, available on each Corporation's website. The composition of the Committee meets the suggested guidelines of Recommendation 2.4.
✓	2.5. Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.
✓RCs 🛠ONS	2.6. Companies should provide the information indicated in the Guide to Reporting on Principle 2.

KEY:

✓ Process compliant

✗ Process not applicable or not compliant

🛠 Principle adapted to meet Corporations' context but remains compliant

RCs Regional Corporations

ONS Onstream

1 ASX Corporate Governance Council, 2007. *Corporate Governance Principles and Recommendations* (2nd edition).

Principle 3 –	PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING Companies should actively promote ethical and responsible decision-making.
✓	3.1. Companies should establish a Code of Conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the company's integrity • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
✗	3.2. Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy. • This matter is not relevant as the Regional Corporations are owned by local government in their respective region and Onstream is owned by the three Regional Corporations.
✓	3.3. Companies should provide the information indicated in the Guide to Reporting on Principle 3.

Requests received under the *Freedom of Information Act 1991 (Tas)* in 2009-10:			
BLW: NIL	CMW: NIL	ONS: NIL	SW: NIL
Disclosures received under the *Public Interest Disclosures Act 2002 (Tas)* in 2009-10:			
BLW: NIL	CMW: NIL	ONS: NIL	SW: NIL

KEY:

✓ Process compliant

✗ Process not applicable or not compliant

🛠 Principle adapted to meet Corporations' context but remains compliant

RCs Regional Corporations

ONS Onstream

Principle 4 –	SAFEGUARD INTEGRITY IN FINANCIAL REPORTING Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.
✓	4.1. The Board should establish an audit committee
✓	4.2. The audit committee should be structured so that it: • Consists only of non-executive directors • Consists of a majority of independent directors • Is chaired by an independent chair, who is not chair of the Board • Has at least three members.
🛠	4.3. The audit committee should have a formal charter.
✓	4.4. Companies should provide the information indicated in the Guide to Reporting on Principle 4.

Principle 5 –	MAKE TIMELY AND BALANCED DISCLOSURE **Companies should promote timely and balanced disclosure of all material matters concerning the company.**
🛠	5.1. Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
✓	5.2. Companies should provide the information indicated in the Guide to Reporting on Principle 5.

Principle 6 –	RESPECT THE RIGHTS OF SHAREHOLDERS **Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.**
🛠	6.1. Companies should design a communications policy for promoting communications with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
✓	6.2. Companies should provide the information indicated in the Guide to Reporting on Principle 6.

Principle 7 –	RECOGNISE AND MANAGE RISK **Companies should establish a sound system of risk oversight and management and internal control.**
✓	7.1. Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
✓	7.2. The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
✓	7.3. The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with Section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
✓	7.4. Companies should provide the information indicated in the Guide to Reporting on Principle 7.

KEY:

✓	Process compliant
✗	Process not applicable or not compliant
🛠	Principle adapted to meet Corporations' context but remains compliant
RCs	Regional Corporations
ONS	Onstream

Principle 8 –	REMUNERATE FAIRLY AND RESPONSIBLY Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.
✓	8.1. The Board should establish a remuneration committee.
✓	8.2. Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
✓RCs ✗ONS	8.3. Companies should provide the information indicated in the Guide to Reporting on Principle 8.

KEY:

✓ Process compliant

✗ Process not applicable or not compliant

🛠 Principle adapted to meet Corporations' context but remains compliant

RCs Regional Corporations

ONS Onstream

BEN LOMOND WATER

Liffey Falls (Photo Tourism Tasmania/Geoffrey Lea)

Tasmanian Water and Sewerage Corporation
(Northern Region) Pty Limited
Trading as: Ben Lomond Water
ABN 13 133 655 062

annual report 2009–2010

Ben Lomond Water at a glance

VISION

To be recognised as a leader in the efficient delivery of sustainable regional water services

OWNER REPRESENTATIVES

- Mr Laurence Archer
- Mr Paul Ranson
- Cr Peter Kearney, Deputy Mayor West Tamar Council

OWNER COUNCILS

- Break O'Day Council
- Dorset Council
- Flinders Council
- George Town Council
- Launceston City Council
- Meander Valley Council
- Northern Midlands Council
- West Tamar Council

VALUES

STAFF – We value our staff, their safety and well being and we acknowledge the importance of balancing work and family life

CUSTOMERS – We value our customers, their safety, their need for high quality cost effective service delivery and their opinions

ENVIRONMENT – We value the environment and acknowledge our role in ensuring our services are delivered sustainably

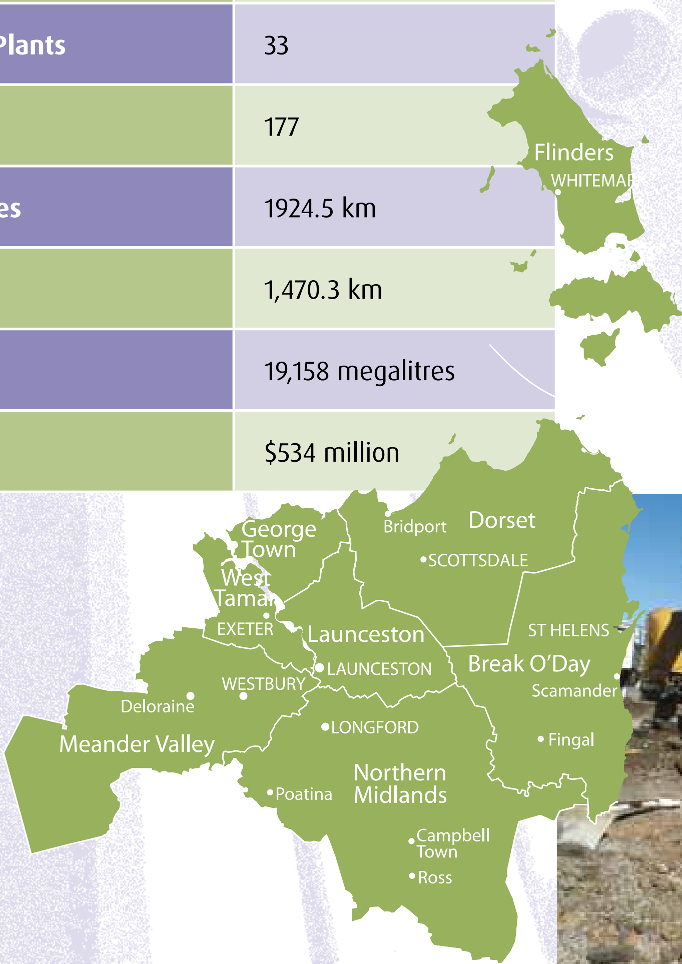
REPUTATION – We value our reputation and we accept that as a new organisation we need to demonstrate our integrity, professionalism, innovation and leadership to our customers and the wider community

DIRECTORS

- Mr Geoff Willis — Chair
- Mr Brian Bayley
- Mr Miles Hampton
- Ms Sarah Merridew
- Dr Dan Norton
- Ms Liz Swain

Ben Lomond Water Board of Directors (L–R): Mr Miles Hampton, Ms Liz Swain, Mr Brian Bayley, Mr Geoff Willis (Chair), Ms Sarah Merridew, Dr Dan Norton

SCOPE OF BUSINESS	
Service Area	19,900 km^2
Population	140,000
Connections	58,400
Water Treatment Plants	36
Wastewater Treatment Plants	33
Employee Positions	177
Length of Water Pipelines	1924.5 km
Length of Sewer Main	1,470.3 km
Water Supply	19,158 megalitres
Total Asset Value	$534 million



Highlights of the year

1 Delivered on its 'service as usual' commitment on 1 July 2009 with 157 employees drawn from eight different organisations all kitted out in Ben Lomond Water uniforms, with vehicles clearly identifiable with the Ben Lomond Water logo

2 Entered into contracts for a water treatment plant at Campbell Town, civil works at the Scamander Water Treatment Plant site and a pipeline between Longford and Cressy. Once completed, these projects will provide treated water to Campbell Town, Ross, Scamander and Cressy. Improving the water quality to four towns in our first two years is a major achievement

3 Signed a Compliance Implementation Plan with the Water and Sewerage Economic Regulator, the Director of Public Health and the Director Environment Protection Authority, committing the organisation to improved public health and environmental performance to accepted industry standards and to set out the development process for the first Price and Service Plan

4 Prepared and submitted a range of documents to relevant regulators including: Asset Management Project Plan; Emergency Management Project Plan; Drinking Water Risk Management Practices Report; Drinking Water Quality Management Plan; Drinking Water Compliance Plan; Fluoridation Project Plan; Interim Wastewater Management Plan; and Emergency Management Plan. The completion of these documents by our team highlights the expertise available and greatly increased our knowledge and understanding of our assets and systems

BEN LOMOND WATER

5 On behalf of the three Regional Corporations, completed an Asset Valuation Project to establish opening accounting, regulatory and taxation valuations for all transferred assets

6 Undertook our first Employee Engagement Survey, which provided encouraging results and sets a solid basis for the development of a strong Ben Lomond Water culture

7 Undertook a range of risk reduction audits, hazard identifications and rectification actions to support our 'No Harm' message from 'Day 1'

8 Challenged our organisation to achieve no dry weather sewage spills and to significantly reduce wet weather spills to the environment compared with our poor spill history

9 Prioritised a list of towns, in accordance with the Director of Public Health, to be provided with treated water over the next three years as part of our second corporate plan

10 Included a range of projects in our Corporate Plan for environmental improvements in accordance with the Director of the Environment Protection Authority's priority project framework

11 Achieved a net profit after tax of $5.3 million, being $3.3 million above budget

12 Cash distributions during the period 1 July 2009 to 30 June 2010 (dividends, income tax equivalents and guarantee fees) totalled $2.3 million. Total distributions payable in respect of the financial year are $4.8 million. In addition income tax equivalents and guarantee fees totalling $48,000 are payable in relation to Onstream. This provides a total distribution of $4.8 million which comprises $2.5 million in priority distributions and $2.3 million in general distributions

CEO Report

1 Financial report

In its initial year of operation Ben Lomond Water achieved an after tax profit of $5.3 million with total income of $54.4 million and total expenditure of $49.2 million including tax expense of $2.2 million.

Fees and charges for the year were established by an Interim Price Order (IPO) released by the State Treasurer. In general terms the IPO stipulated that Ben Lomond Water had to charge its customers for regulated services on the same tariffs, fees and charges as were charged in 2008-09 by the relevant council or bulk water authority, adjusted to reflect the municipal area customer cap increase imposed by the IPO. Increases for each municipality are outlined in the following table.

Municipal Area Customer Cap (% nominal increase in revenues allowed)	Water % increase	Sewerage % increase
Break O'Day Council	10%	10%
Dorset Council	10%	10%
Flinders Council	10%	0%
George Town Council	5.65%	0%
Launceston City Council	10%	10%
Meander Valley Council	10%	10%
Northern Midlands Council	10%	10%
West Tamar Council	10%	5.31%

The original IPO increases were amended in November 2009 and as a result the majority of customer charges were increased by no more than 5 per cent above the cost for the same services in the previous financial year. As part of this amendment the State Government guaranteed to make up any shortfall in revenue experienced by the Corporation.

Including the above mentioned State Government receipts, revenue from water and sewerage fees and charges totalled $51.1 million. Fixed service charges for water and sewerage have been calculated using annual billing data. However, as not all water usage billing has been completed, the water usage revenue from residential customers has been calculated using an accrual methodology based on a combination of historical and actual billing data.

Grants and Contributions revenue included $1.9 million of developer-contributed assets and $44,000 of revenue that was recognised on the transfer of State fluoride assets. Interest revenue of $312,000 was 29 per cent below budget primarily as a result of the delayed billing and collection cycle.

Total expenditure of $46.9 million, before tax expense, was $2.4 million or 5 per cent below budget. Depreciation expense was $4.2 million or 25 per cent below original budget estimates as a result of a significant write-down of contributed asset values. Excluding depreciation other expenditure was $1.8 million or 5.4 per cent above budget. The major contributing factors to this result included:

- Recognition of an allowance for impairment of trade receivables: $232,000
- Above-budget movements in end of year employee provisions increasing salary and employee costs
- Above budget expenditure on the initial acquisition of minor equipment
- Higher than anticipated facilities and IT costs, with rates, land tax and communication costs much higher than originally budgeted.

The overall result for the year was a profit before tax of $7.5 million, 162 per cent above budget.

Ben Lomond Water's balance sheet highlights a strong financial position, with net assets to the value $487.5 million. Significant items of note include:

- A receivables balance being $13 million above budget as a result of the delayed billing and collection cycle;
- A reduced property, plant and equipment balance following the initial write-down of contributed asset values;
- A higher than expected employee provisions balance due to increased estimated leave and superannuation liabilities;
- Other current liabilities includes an amount of $1.6 million for unearned income from the transfer of State fluoride assets; and
- A significant reduction in deferred tax liabilities following the issue of a private tax ruling and reassessment of taxation obligations.

At 30 June 2010 Ben Lomond Water held cash totalling $6.5 million with transferred cash reserves being reduced by $12.5 million over the course of the year.

Operating cash flows are significantly less than forecast with cash inflows from billing being well behind budget due to the delays in the billing process. Despite this delay it was pleasing to note that short-term debt funding was not required in order to meet on-going operational requirements.

During the year Ben Lomond Water internally funded capital works to the value of $15.9 million and distributed dividend, tax equivalent and loan guarantee fee payments to Owner Councils to the amount of $2.5 million.

2 Customer service

During the year we have had 254 unplanned interruptions to water supply systems with an average duration of 98 minutes. We also experienced 156 sewage spills and 610 sewer blockages.

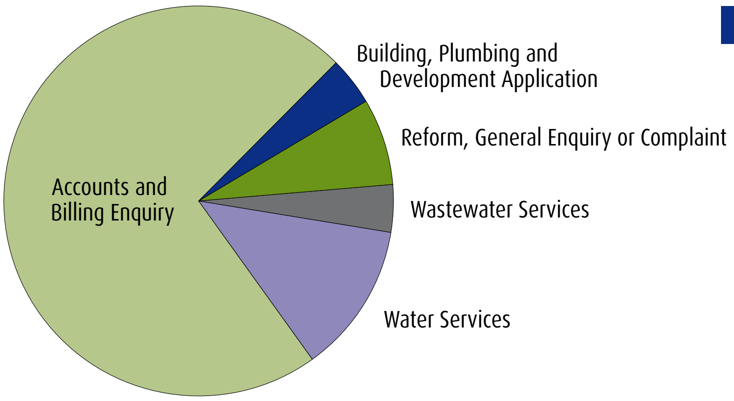
A Customer Reference Group was established to advise Ben Lomond Water on a range of customer-related issues.

In addition, an Environmental Reference Group Charter was developed and discussions have been held with a number of people to establish a Reference Group.

Throughout the past year the call centre was operated by a contractor engaged by Onstream. Prior to 30 June, it was decided to fully integrate the call centre staff into the Corporate Services Division, thus gaining significant efficiencies by having them undertake other customer service and data entry activities.

The call centre handled approximately 37,000 calls from customers and members of the public. Around 73 per cent of these calls related to account and billing enquiries. The type and number of calls received is shown in the following graph.

NUMBER OF CALLS BY TYPE



3 Public health and environment

Ben Lomond Water operates 36 water supply schemes and 33 sewage treatment plants supplying a totoal of 58,400 customers.

Sixteen water schemes are subject to permanent boil water alerts. Temporary boil water alerts were applied to nine areas at the request of the Director of Public Health (the Director). Historically, these temporary alerts have been applied whenever there have been two consecutive microbiological test failures; however, Ben Lomond Water has taken a proactive approach by recommending to the Director that an alert be applied whenever a chlorinated supply has become contaminated. The table below shows the boil water alerts applied throughout the year. The significant number of boil water alerts highlights the drinking water quality challenge faced by Ben Lomond Water.

The following water schemes are subject to permanent boil water alerts:

Pioneer	Gladstone
Ringarooma	Herrick
Ledgerwood	Derby
Winnaleah	Branxholm
Fingal	Mathinna
Cornwall	Rossarden
Mole Creek	Whitemark
Lady Barron	Lilydale

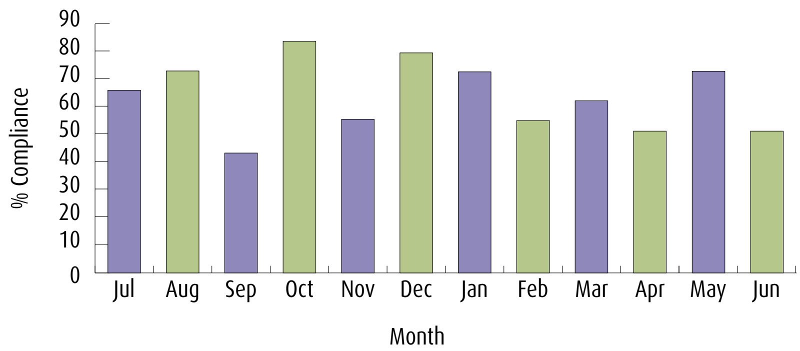
Temporary boil water alerts were applied to the following water schemes or areas:

Scamander	Avoca
Conara	Campbell Town / Ross
Epping	Cressy
Bracknell	Exton
Part of West Launceston	

All other water schemes were compliant with the Australian Drinking Water Guidelines.

The graph shown below shows the degree of compliance of our wastewater treatment plants. Once again, this highlights the challenge to bring our wastewater treatment plants into full compliance.

EPA COMPLIANCE



As noted in the Highlights section the Board has adopted a 'No Spills' policy which aims to have no spills when rainfall intensity is less than a one in five year event.

During the year there was a total of 156 sewage spills. These comprised 24 dry weather sewer spills along with 34 spills when rainfall intensity was less than a one in five year event. In addition there were 98 spills when rainfall intensity was greater than a one in five year event.

4 Capital works

Capital works highlights during the year included:

- **Campbell Town Water Treatment Plant**

  A $5.2 million contract was let to Water Treatment Australia Pty Ltd. Construction will commence after development and re-zoning has been finalised. This project is expected to be complete by the end of 2010-11 and will provide treated water to Campbell Town and Ross.

- **Distillery Creek Water Treatment Plant**

  This $10.2 million project was commenced by Esk Water and construction has continued with the first Proof of Performance Testing scheduled for September 2010. This plant will replace an existing ageing plant, part of which was constructed in 1925.

- **Scamander Water Treatment Plant**

  The Break O'Day Council previously contracted to purchase a package membrane water treatment plant. All civil works have been designed and a contract let to GRADCO. Plant and equipment installation is scheduled to commence in October 2010.

- **Queechy Sewage Pumping Station and Pipeline**

  Construction of this $4.7 million project, begun by Launceston City Council, continued during the year and is expected to be completed by late 2010. This project will significantly increase system storage to reduce sewer spills and provide improved operational flexibility by pumping sewage to either Hoblers Bridge Treatment Plant or Norwood Treatment Plant.

- **Longford to Cressy Pipeline**

  This $1.4 million project will provide treated water to Cressy. A contract has been let to Paul Zanetto and 5.5 km of the 11 km pipeline has been completed. Construction is expected to be finished by late 2010.

A range of other smaller projects have been undertaken. These include:

- Occupational health and safety improvements
- Commencement of the development of regional depots
- Miscellaneous pipelines, pump stations and other urgent upgrade works.

5 Development activities

During the year we processed 617 development applications and 407 building applications. We also processed 3448 Section 56ZQ certificates relating to property transfers where water and/or sewerage services exist.

6 Our people

Prior to the formation of Ben Lomond Water, it was estimated that 194 Full Time Equivalents (FTEs) were employed on providing water and sewerage services in the region. On commencement, Ben Lomond Water had 157 employees constituting 154 FTEs. As at 30 June 2010 employee numbers totalled 177.

As noted in the Highlights section, the Board's first cultural philosophy was to adopt a 'No Harm' position. This means our aim is to not harm our employees, the public

or the environment. Our aim is to have every employee return home as healthy as they left. A significant investment has been made in progressing this with all staff undergoing safety training. Hazard identification and amelioration processes have also been put in place and all supervisory staff are required to undertake safety audits on a regular basis. By the end of the year, the number of audits being conducted exceeded 40 per month and this level of activity is intended to continue. While progress has been made in all areas of safety the level of lost time incidents is still unacceptable. Six staff suffered lost time injuries which resulted in a lost time injury frequency rate of 21 which compares to an acceptable industry standard of around three. In addition, two contractors suffered lost time injuries and 11 of our staff suffered injuries requiring medical attention.

Sick leave averaged 5.3 days per employee which is above the industry standard of 4.5 days. This is partly due to a number of employees requiring extended periods of sick leave.

During the year we conducted an Employee Engagement Survey which provided us with good baseline information on our staff. It was very pleasing that the majority of employees enjoyed working at Ben Lomond Water and that our strong message on the importance of safety was being heeded. As may be expected, concerns were raised regarding immature or ineffective operational systems. However, our employees appreciated that this is inevitable with a new organisation and were showing patience and contributing to improving those systems.

7 Complaints to the Ombudsman

During the year we had three complaints to the Ombudsman. Details of the complaints were as follows:

- A complainant objected to the fees charged for a water connection in the Launceston CBD. The Ombudsman was happy with the explanation.
- A complainant objected to a pensioner concession not being provided on the water usage component of the bill. It was explained that concessions are provided by the State Government under the *Water and Sewerage Industry (Community Services Obligation) Act 2009*.
- A customer complained that Ben Lomond Water was unable to provide details of the balance of their account. Details were subsequently provided and, in fact, the customer's balance was zero.

8 Learnings in the first year

When the three Regional Corporations were formed it was widely understood that there were deficiencies in water and wastewater treatment plants along with areas where infrastructure did not exist. However, over our first year we found a wide range of issues inevitably requiring the allocation of funds that had not been budgeted. A sample of these issues is as follows:

- As noted earlier we have experienced 156 sewer overflows. These have been caused by a range of problems including, design faults, poor construction, rainfall infiltration, lack of duty/standby pumps, inadequate pump station storage, and poor electrical equipment. In one case we understand the problem has existed for more than 30 years. Some works have already been undertaken on pump stations and on mains where stormwater infiltration was an obvious problem. However, this is a significant problem and plans will be developed over time aimed at eliminating dry-weather overflows

- Many chlorination facilities did not include leak detectors and/or remote monitoring. Chlorine leak detectors have been added to all facilities, along with remote monitoring of alarms to reduce the risk to staff and the public
- A program has begun to remedy the lack of duplicate chemical dosing equipment in water treatment plants which would render the plant unusable when pumps fail
- A sewer effluent re-use scheme where the travelling irrigator had not been capable of moving for some time. A new irrigator has been purchased
- Fluoridation facilities do not include in-line monitoring of dosage and often do not include overdosing fail-safe provisions. Solutions to both problems are being implemented
- Lack of duplicate sewer pumps or even a spare pump in store to deal with pump failures. Where possible additional pumps have been purchased
- Electrical equipment that could only be described as grossly unsafe. Urgent work has been undertaken.

Minor, unbudgeted capital expenditure totaling more than $1 million was undertaken to deal with these issues. In addition the operations and maintenance expenditure, particularly related to the sewer overflows, has also been significant.

Staff and public safety has been a high priority and expenditure, both capital and recurrent, has been necessary to overcome deficiencies. We also found a wide range of housekeeping problems and the expenditure incurred was significant.

The future

Ben Lomond Water is required to submit its draft Price and Service Plan by 30 June 2011. Integral to the completion of that plan is the need to complete and submit the Asset Management Plan and the final Wastewater Management Plan by the same date. The final Price and Service Plan is then expected to be agreed with the Office of the Economic Regulator by 30 June 2012. This plan then sets the entire operating environment for the first regulatory period that is expected to run for three years from 2012 to 2015.

While this plan will cover all aspects of the business operation, key components include:

- Tariff redesign and transition and revenue requirements
- Capital expenditure plans
- Customer service levels
- Operational plans.

The Price and Service Plan will determine revenue and planned expenditure throughout the regulatory period. Accordingly, it will establish the returns that are expected to be provided to Owner Councils over that period.

These cash returns totalled $2.5 million in 2009-10 and this is expected to grow to more than $7 million in 2012-13.

Development of the Price and Service Plan involves the challenge of managing the competing expectations of a range of stakeholders including customers, Owner Councils and Regulators.

The continuation of the cultural development process presents another challenge over the next year. Integral to this process is the continued negotiation of a single enterprise agreement covering employees currently covered by eight separate Award/Enterprise Agreement arrangements.

Our billing systems in the past year have been problematic to say the least. It was impossible to develop a billing system in the time available and hence it was necessary to rely on our Owner Councils for assistance. Onstream contracted to councils on our behalf to provide this assistance and despite all possible cooperation, the changeover inevitably led to some difficulties. These issues were compounded when the State Government amended the Interim Price Order after all bills had been issued. These changes caused confusion amongst our customers, significantly increased our billing workload and led to a range of data errors.

In conjunction with the other two Regional Corporations and Onstream, a new customer information system, which includes billing, is being implemented. Unfortunately, this system will not be available in time to issue the 2010-11 bills and an interim solution is being implemented. It is important that both the interim solution and the new billing system are introduced smoothly to ensure we regain customer confidence.

The current corporate plan sets out a challenging capital program and this will continue over the first regulatory period. This program is necessary in order to make sufficient progress towards full compliance of all aspects of our business. The challenges not only relate to internal workloads but also to the availability of suitable contractors to undertake the growing level of capital works.

The main components of the capital program relate to the construction of water treatment plants and other public health improvement works, along with the upgrading of wastewater treatment plants which will provide significant environmental improvements.

Barry Cash
Chief Executive Officer

Tasmanian Water and Sewerage Corporation
(Northern Region) Pty Limited
Trading as: Ben Lomond Water
ABN 13 133 655 062

financial report 2009–2010

Directors' Report

The Directors of Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited, trading as Ben Lomond Water, present the financial report of the Corporation for the financial year ended 30 June 2010. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Legislative Authority

Ben Lomond Water was formed on 13 November 2008 under the *Corporations Act 2001* and pursuant to the *Water and Sewerage Corporations Act 2008*. It is governed by the Constitution for the Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited, which is approved by the Tasmanian Parliament.

The primary purposes of the Corporation are:

- To promote the efficient delivery of water supply and provision of sewerage services;
- To encourage water conservation, demand management of water and the re-use of water on an economic and commercial basis;
- To be a successful business and, to this end:
  - operate its activities in accordance with good commercial practice; and
  - maximise sustainable returns to its shareholders.

Principal Activities

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

- providing water and sewerage services for residential and commercial customers throughout northern Tasmania;
- undertaking maintenance, upgrading and development works on water and sewerage assets, and preparing strategic asset development plans for the future;
- developing a robust database of customer information, collated from data previously held by Owner Councils, to facilitate the charging of customers and responding to changes in the regulatory environment.

Review of Operations

At the commencement of the financial year, assets, liabilities, employees and other resources were transferred to the Corporation from Owner Councils, the previous northern Tasmanian water authority, Esk Water, and from the State of Tasmania.

During the financial year, approximately 58,000 properties were provided with services, involving the provision of drinking water and treatment of wastewater.

The Corporation reported a profit after tax of $5,257,000 for the year ended 30 June 2010 (2008-09: $448,000 loss).

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. The Directors are not aware of any significant breaches during the year covered by the report.

Dividends

On 8 April 2010 the Board of Ben Lomond Water approved the payment of a $952,000 (2008-09: nil) interim dividend from 2009-10 estimated profits. This dividend was paid on 30 April 2010.

On 10 August 2010 the Board approved the payment of a final dividend of $1,009,000 (2008-09: nil), making a total dividend of $1,961,000 (2008-09: nil) for the 2009-10 financial year. In accordance with accounting standards the final dividend was not recognised in the financial statements at 30 June 2010.

Subsequent Events

Since 1 July 2010, there have been no events that would significantly affect the Corporation's operations in future financial years.

Likely Future Developments

Information on likely future developments in the operations of the Corporation is included elsewhere in this Annual Report.

Directors

The directors of Ben Lomond Water during or since the end of the financial year and their terms of directorship are as follows:

Geoff Willis (Chairman)	from 13 November 2008
Brian Bayley	from 26 November 2008
Miles Hampton	from 26 November 2008
Sarah Merridew	from 26 November 2008
Dan Norton	from 26 November 2008
Liz Swain	from 26 November 2008

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

Remuneration of Directors and Senior Management

Information about the remuneration of directors and senior management is set out in Note 15 to the financial statements.

Corporate Governance

The Board of Directors is responsible for the overall corporate governance of the Corporation. Corporate governance is the system by which the activities of the Corporation are controlled and coordinated in order for the Corporation to achieve its desired outcomes.

The Board performs this role by:

- Appointing and monitoring the performance of the Chief Executive Officer;
- Clearly identifying and enunciating the strategic direction for Ben Lomond Water;
- Identifying and addressing the principal risks for Ben Lomond Water;
- Monitoring the conduct and performance of the Corporation through an integrated framework of controls;
- Ensuring that all of Ben Lomond Water's business is conducted in an honest, open and ethical manner;
- Ensuring that adequate succession planning is undertaken.

Management has reported to the Board as to the effectiveness of internal control and risk management systems, and provided its declaration in accordance with relevant parts of s.295A of the *Corporations Act 2001*.

Audit and Risk Committee

Ben Lomond Water has an Audit and Risk Committee, comprising three directors and is chaired by Director Miles Hampton. The committee has a documented charter, approved by the Board. The committee's responsibilities under its charter include consideration and monitoring of matters relating to external reporting, risk management, internal and external audit functions

SHREP Committee

The Safety, Human Resources, Environment and Public Health Committee (SHREP) comprises three non-executive directors and the CEO. This committee has its own charter and it is chaired by Director Brian Bayley. The role of the SHREP committee is to assist the Board to fulfil its responsibilities relating to workplace health and safety, human resource management and development, employee remuneration and performance management, environmental management and compliance, and public health performance and compliance.

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 intervene 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 39.

Rounding off of amounts

The Corporation is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, 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

Geoff Willis	Miles Hampton
Chairman	Director
10 August 2010	

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10 August 2010

FINANCIAL REPORT 1 JULY 2009 TO 30 JUNE 2010
DIRECTORS' DECLARATION

The directors declare that:

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); and

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.

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 2010.

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

Geoff Willis	Miles Hampton
Chairman	Director

Enquiries: Ric De Santi
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18 August 2010

The Board of Directors
Tasmanian Water & Sewerage Corporation
(Northern Region) Pty Ltd
PO Box 745
LAUNCESTON TAS 7250

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 for the financial year ended 30 June 2010, 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; and

b) any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) of the *Corporations Act 2001* a copy of this declaration must be included in the Directors' report.

Yours sincerely

E R De Santi
DEPUTY AUDITOR-GENERAL
Delegate of the Auditor-General

INDEPENDENT AUDIT REPORT

To the Tasmanian Water & Sewerage Corporation (Northern Region) Pty Ltd

Financial Statements for the Year Ended 30 June 2010

Report on the Financial Statements

I have audited the accompanying financial statements of the Tasmanian Water & Sewerage Corporation (Northern Region) Pty Ltd (the Company), which comprise the balance sheet as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The Responsibility of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1.2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001,* was provided to the directors on the same day as this audit opinion and is included in the Directors' report.

Auditor's Opinion

In my opinion:

(a) the financial statements of the Tasmanian Water & Sewerage Corporation (Northern Region) Pty Ltd are in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the financial position of the Tasmanian Water & Sewerage Corporation (Northern Region) Pty Ltd as at 30 June 2010 and its financial performance for the year ended on that date, and

  (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.2.

TASMANIAN AUDIT OFFICE

E R De Santi
DEPUTY AUDITOR-GENERAL
Delegate of the Auditor-General
HOBART
18 August 2010

Statement of Comprehensive Income

for the financial year ended 30 June 2010

	Notes	1 July 2009 to 30 June 2010 $'000	13 Nov 2008 to 30 June 2009 $'000
Continuing Operations			
Sales Revenue	2	51,785	-
Other Income from Operating Activities	2	2,296	-
Change in Water Inventory		16	-
Raw Materials and Consumables	3	(3,967)	-
Depreciation and Amortisation Expenses	3	(12,551)	-
Employee and Related Expenses	3	(13,471)	(265)
Operations and Maintenance Expenses	3	(10,093)	(6)
Share of Net Profit (Loss) of Associate – equity method	20	16	-
Administration Expenses	3	(5,766)	(369)
Net Profit (Loss) before Financing Costs		8,265	(640)
Financial Income	2	312	-
Financial Expense	3	(1,089)	-
Net Financing Costs		(777)	-
Net Profit (Loss) before Income Tax Equivalents Expense		7,488	(640)
Income Tax Equivalents (Expense) Benefit	4	(2,231)	192
Net Profit (Loss) after Income Tax Equivalents Expense		**5,257**	**(448)**
Other Comprehensive Income			
Actuarial Gain (Loss) on Defined Benefit Plan	11.1,11.2	(492)	-
Share of other comprehensive income of associates	20	(2)	-
Income tax relating to components of other comprehensive income	4	148	-
Total Comprehensive Income for the Period		**4,911**	**(448)**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
Current Assets			
Cash and Cash Equivalents	6.1	6,480	-
Receivables	6.2	15,092	2
Inventories	6.3	1,297	-
Prepayments		47	30
Total Current Assets		22,916	32
Non-current Assets			
Property, Plant & Equipment	7	504,705	16
Intangibles	8	70	-
Deferred Tax Assets	4	5,825	192
Investment in Associate	20	14	-
Total Non-current Assets		510,614	208
Total Assets		533,530	240
Current Liabilities			
Borrowings	9.1	5,211	-
Employee Benefits	9.3	3,153	9
Payables	9.4	5,123	679
Unearned Income	9.5	44	-
Current Tax Liability	4	1,230	-
Total Current Liabilities		14,761	688
Non-current Liabilities			
Borrowings	9.1	11,833	-
Employee Benefits	9.3	4,329	-
Unearned Income	9.5	1,583	-
Deferred Tax Liabilities	4	13,410	-
Total Non-current Liabilities		31,155	-
Total Liabilities		45,916	688
Net Assets (Deficit)		487,614	(448)
Equity			
Retained Profits (Accumulated Losses)	10.1	3,511	(448)
Contributed Capital	10.2	484,103	-
Total Equity (Deficit)		487,614	(448)

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the financial year ended 30 June 2010

	Notes	1 July 2009 to 30 June 2010 $'000	13 Nov 2008 to 30 June 2009 $'000
Cash Flows from Operating Activities			
Receipts from Customers		38,233	-
Receipts from other Sources		3,677	-
Payments to Suppliers and Employees		(33,263)	-
Interest Received		341	-
Interest Paid		(990)	-
Income Tax Equivalents Paid		(1,481)	-
Net Cash from Operating Activities	17	6,517	-
Cash Flows from Investing Activities			
Payments for Property, Plant & Equipment		(15,867)	-
Proceeds from Sale of Property, Plant & Equipment		136	-
Net Cash used in Investing Activities		(15,731)	-
Cash Flows from Financing Activities			
Owner Cash Contributions	21	18,989	-
Proceeds from Borrowings		16,187	-
Repayment of Borrowings		(17,492)	-
Dividends Paid		(952)	-
Dividends Paid (Esk Water)		(1,038)	
Net Cash from Financing Activities		15,694	-
Net Increase (Decrease) in Cash and Cash Equivalents		6,480	-
Cash and Cash Equivalents at the Beginning of the Year		-	-
Cash and Cash Equivalents at the End of the Year	17	**6,480**	**-**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the financial year ended 30 June 2010

	Notes	Retained Profits $'000	Contributed Capital $'000	Total Equity $'000
Balance as at 13 November 2008		-	-	-
Net Profit (Loss) after Income Tax Equivalents Expense	10.1	(448)	-	(448)
Other comprehensive income		-	-	-
Balance as at 30 June 2009		(448)	-	(448)
Payment of dividends	10.1	(952)	-	(952)
Net Profit (Loss) after Income Tax Equivalents Expense	10.1	5,257	-	5,257
Other comprehensive income		(346)	-	(346)
Capital contributed by owners	10.2	-	484,103	484,103
Balance as at 30 June 2010		3,511	484,103	487,614

The above statement of changes in equity should be read in conjunction with the accompanying notes.

1 Summary of Significant Accounting Policies

1.1 Basis of Preparation

The financial report of Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited, trading as Ben Lomond Water, is a general-purpose financial report, prepared in accordance with the *Corporations Act 2001*, relevant Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and other laws where applicable. The financial report is prepared on an accrual accounting basis in accordance with the historical cost convention except for certain non-current assets and financial instruments, which are at amortised cost. All figures unless indicated otherwise are reported in Australian dollars and rounded to the nearest thousand dollars ($'000s).

The Corporation was incorporated on 13 November 2008. No revenue was generated by the Corporation during the period ended 30 June 2009 as it did not commence providing water and sewerage services until 1 July 2009. The Corporation did not have any cash transactions prior to 1 July 2009 and all expenditure incurred by the Corporation was funded by an associate company, Tasmanian Water and Sewerage Corporation (Common Services) Pty Limited, trading as Onstream. Accordingly the Corporation reports no cash flows in the Statement of Cash Flows for the period ended 30 June 2009.

The Corporation has a shared interest in Onstream, together with Tasmanian Water and Sewerage Corporation (Southern Region) Pty Limited, trading as Southern Water, and Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Limited, trading as Cradle Mountain Water. Each owner holds one share in Onstream, with each share attracting equal voting rights.

Any costs incurred by Onstream attributable directly to Ben Lomond Water are charged to the Corporation. All other costs incurred by Onstream during the year ended 30 June 2010 were charged on the basis of 25% to both Ben Lomond Water and Cradle Mountain Water and 50% to Southern Water.

As the Corporation has significant influence, but not control, over the financial and operating policies of Onstream, it is deemed to be an associate company, and is accounted for using the equity method in accordance with AASB 128 *Investments in Associates*. For further details refer Note 20.

1.2 Statement of Compliance

The financial report comprising the financial statements and the notes thereto complies with Australian Accounting Standards including Australian Interpretations adopted by the 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 2010.

The Corporation has elected not to early adopt the following applicable accounting standards and amendments:

AASB Amendment	Affected Standards	Nature of change to accounting policy and impact	Application date of standard	Application date for the Corporation
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	No change, no impact	1 January 2010	1 July 2010
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 & interpretations 2, 4, 16, 1039 & 1052]	No change, no impact	1 January 2011	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	No change, no impact	1 July 2010	1 July 2010
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation]	No change, no impact	1 January 2011	1 July 2011

1 Summary of Significant Accounting Policies (continued)

1.2 Statement of Compliance (continued)

AASB Amendment	Affected Standards	Nature of change to accounting policy and impact	Application date of standard	Application date for the Corporation
Interpretation 19	Extinguishing Liabilities with Equity Instruments	No change, no impact	1 July 2010	1 July 2010
AASB 1053	Application of Tiers to Australian Accounting Standards	No change, no impact	1 July 2013	1 July 2013

The following amendments are not applicable to the Corporation and therefore have no impact.

AASB Amendment	Affected Standards
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]
AASB 2009-9	Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1]
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]
AASB 2010-1	Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASB 1 & AASB 7]

1.3 Significant accounting judgements, estimates and assumptions

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

Fair Value of Property Plant & Equipment

Various assumptions and judgements are utilised in determining the fair value of the Corporation's property, plant and equipment. These assumptions are discussed in Notes 1.10, 1.13 and 7.

Defined benefit superannuation fund obligations

Various actuarial assumptions are utilised in the determination of the Corporation's defined benefit superannuation fund obligations. These assumptions are discussed in Notes 1.14 and 11.

1.4 Revenue Recognition

Revenues are recognised at the amount of the consideration received, net of the amount of goods and services tax (GST) payable to the Australian Taxation Office (ATO).

Sale of Water

Fixed water charges are billed and recognised on a quarterly 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 sales and in the statement of financial position as a receivable.

Sewerage Income

Fixed charges for the collection and treatment of sewerage are billed and recognised on a quarterly basis. Variable sewerage charges 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 and in the statement of financial position as a receivable.

Interest Income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

1 Summary of Significant Accounting Policies (continued)

1.4 Revenue Recognition (continued)

Sale of Non-current Assets

The net gain (loss) on non-current asset sales are included as income at the date the control of the asset passes to the buyer, usually at the point an unconditional written contract is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

Government Funded Price Cap

On 30 November 2009 the State Government announced that customers would only pay a maximum of 5% more than the previous year's water and sewerages charges. The difference between the maximum price allowed by the economic regulator and this 5% price cap is reimbursed to the Corporation by the State Government and is reported as water and sewerage income.

Government Funded Pensioner Concessions

The Corporation has an agreement with the Crown in right of the State of Tasmania to provide community services and for the Corporation to be reimbursed for the community services costs and administration costs. Any such reimbursements are recorded as revenue on an accrual basis.

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.

1.5 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included.

The GST recoverable from and payable to the ATO is disclosed on a net basis as a receivable within current assets or where the net is a payable, as a current liability. Cash flows receivable from customers and payable to suppliers are shown on a gross basis in the Statement of Cash Flows.

1.6 Taxation

Income tax equivalents expense on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 sheet 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 Treasurer's Allocation Order.

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 (refer note 4).

1.7 Cash and Cash Equivalents

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 cost.

1.8 Inventories

Chemical and spare parts stores are stated at the lower of cost or net realisable value. Water inventory is defined to be useable water in storage and is valued at the lower of cost or net realisable value. Costs, including appropriate proportions of direct and indirect overheads, are applied on a weighted average basis to water inventory on hand.

1 Summary of Significant Accounting Policies (continued)

1.9 Receivables

Trade receivables are recognised at their amortised cost less an allowance for impairment losses. Doubtful debts are written off when collection is no longer probable. Trade receivables comprise residential, industrial 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 as detailed in Note 1.4.

1.10 Property, Plant and Equipment

(a) Construction of Property, Plant and Equipment

The cost of property, plant and equipment constructed by the Corporation includes the cost of all materials used in construction and the cost of direct labour on the project.

(b) Acquisition of Property, Plant and Equipment

Property, plant and equipment are initially recorded at the cost of acquisition. 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.

(c) Valuations and Recoverable Amounts of Property, Plant and Equipment

Infrastructure Assets, Freehold Land and Buildings are carried at fair value and Other Assets are carried at cost in accordance with AASB 116 *Property, Plant and Equipment.* Other Assets include motor vehicles, furniture, fittings, telemetry equipment and IT hardware.

Recoverable amount was lower than depreciated replacement cost and this amount was used for the initial recognition of the asset values. No impairment loss was recorded as this was the initial recognition of asset values. Impairment will be reassessed at future reporting dates.

Other Assets are recorded at acquisition cost. As this asset class has a relatively short asset life it was determined that the cost of revaluing this asset class was not justified and the practice of indexing the asset values did not necessarily provide relevant and reliable information.

(d) Depreciation

Depreciation of property, plant and equipment (other than land) 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 lives of assets were reassessed at 1 July 2009 in conjunction with the revaluation of assets. The economic life of property, plant and equipment is summarised as follows:

Dams / Earthworks:	135 years
Pipelines:	30 – 140 years
Civil / Structural:	30 – 100 years
Other Infrastructure	5 – 40 years
Buildings:	50 – 85 years
Other Assets:	2 – 25 years

(e) Subsequent Costs

The Corporation recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if 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 income statement as an expense as incurred.

1.11 Leased Plant and Equipment

Leases of plant and equipment are classified as operating leases where the lessors retain 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.

1.12 Intangible Assets

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.

1 Summary of Significant Accounting Policies (continued)

1.12 Intangible Assets (continued)

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 2 and 10 years. Computer software is stated at cost. This is in accordance with AASB 138 *Intangible Assets* which requires intangible assets to be recognised at cost in the absence of an active market to determine fair values.

1.13 Impairment

The Corporation's assets including its deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. There were no indicators of impairment at 30 June 2010.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

(a) Calculation of recoverable amount

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 sheet date.

In undertaking the impairment testing of its infrastructure assets it has been determined that the Corporation's assets operate as two cash-generating units; water and sewerage. The recoverable amount of these assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

(b) Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.14 Employee Entitlements

(a) Wages, Salaries, Annual Leave and Sick Leave
Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date, are recognised and measured as the amount unpaid at balance date at remuneration rates expected to apply at the date of settlement, including superannuation. The sick leave provision represents the portion of the outstanding balance, which is payable upon termination.

(b) Long Service Leave
A liability for long service leave is recognised and is measured on the basis of the present value of the expected future cash outflows at balance date, including superannuation. The market yields on government bonds are used to determine the present value of the future cash flows. The classification of the liability for long service leave is on the basis that entitlements in respect of service greater than nine years are shown as a current liability.

(c) Superannuation
Provision is made for the Corporation's future liability for employees' superannuation entitlements under the Retirement Benefits Fund Scheme, the Public Servants Retiring and Death Allowances Scheme and the Quadrant Defined Benefit Scheme (for former employees of the Launceston City Council). The provisions are fully provided for by the Corporation (refer note 11).

The provision in relation to the Retirement Benefits Fund Scheme is based on an actuarial valuation conducted by Mercer (Australia) Pty Ltd and the provision in relation to the Quadrant Defined Benefit Scheme is based on actuarial valuation conducted by Bendzulla Actuarial Pty Ltd.

The Corporation, on an emerging cost basis, pays its portion of the future service component of death and disablement benefits under the Retirement Benefits Fund Scheme.

In accordance with accounting standard AASB 119 *Employee Benefits*, the Corporation has elected to recognise actuarial gains and losses on defined benefit plans directly through retained earnings.

1 Summary of Significant Accounting Policies (continued)

1.14 Employee Entitlements (continued)

The Corporation also makes superannuation contributions for a number of its employees to another Quadrant Defined Benefits Fund, which is a sub-fund of the Quadrant Superannuation Scheme. This Fund is classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary (Bendzulla) is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119, the Corporation does not use defined benefit accounting for these contributions.

The Corporation contributes at least the minimum level of support required by the *Commonwealth Superannuation Guarantee (Administration) Act 1992*, to a number of complying accumulated benefits superannuation funds. Contributions are expensed as they are made.

1.15 Borrowings

All borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost using the effective interest method.

1.16 Payables

Trade payables are recognised at amortised cost when the Corporation becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are settled according to the creditor's terms.

1.17 Dividends Payable

Dividends payable are recognised when approved by the Board of the Corporation (refer note 5).

Notes to the Financial Statements

for the financial year ended 30 June 2010

2. Revenue

	1 Jul 09 to 30 Jun 10 $'000	13 Nov 08 to 30 Jun 09 $'000
Sales Revenue:		
Water - Service Charge	16,873	-
Sewerage - Service Charge	20,327	-
Water - Usage Charges	8,972	-
Sewerage - Usage Charge	1,388	-
Irrigation Income	55	-
Government Funded Price Cap Rebate	1,553	-
Government Funded Pensioner Concessions	1,972	-
Other Fees and Charges	645	-
Total Sales	51,785	-
Other Income:		
Customer & Developer Contributions	2,113	-
State Government Asset Contributions	44	-
Other	139	-
Total Other Operating Income	2,296	-
Financial Income:		
Interest Received - Deposits & Investments	312	-
Total Financial Income	312	-
Total Sales, Financial and Other Income	54,393	-

3. Expenses

	1 Jul 09 to 30 Jun 10 $'000	13 Nov 08 to 30 Jun 09 $'000
Raw Material and Consumables:		
Power Costs	2,491	-
Water Commission Rights	527	-
Chemicals	949	-
Total	3,967	-
Depreciation and Amortisation Expenses:		
Infrastructure Assets	11,788	-
Buildings	14	-
Other Assets	742	-
Intangibles	7	-
Total	12,551	-
Borrowing Cost Expenses:		
Interest Expense - Borrowings	985	-
Government Guarantee Fee Expense	101	-
Losses incurred on restructure of portfolio	3	-
Total	1,089	-

3. Expenses (continued)

	1 Jul 09 to 30 Jun 10 $'000	13 Nov 08 to 30 Jun 09 $'000
Employee and Related Expenses:		
Salaries and On-Costs	12,049	234
Less Capitalised Salaries	(607)	-
Entitlement Provisions Movements	1,566	16
Training and Travel	190	14
Other	273	1
Total	13,471	265
Operations and Maintenance Expenses:		
Maintenance and Planning	6,960	6
Water Sampling	559	-
Property costs	606	-
Supporting Operating Systems & Equipment	1,968	-
Total	10,093	6
Administration Expenses:		
Insurance	397	-
IT, Payroll, Accounts Payable and Revenue Services provided by Associate (Note 16.3)	3,259	295
Rates, Land Tax and Property Costs	587	15
Consultancies	329	10
Information Systems and Communication Costs	226	3
Loss on Disposal of Property	54	-
Allowance for impaired Trade Receivables	232	-
Other Administration	682	46
Total	5,766	369
Total Expenses	46,937	640

4. Income Tax Equivalents

4.1 Income tax equivalents recognised in profit or loss

	1 Jul 09 to 30 Jun 10 $'000	13 Nov 08 to 30 Jun 09 $'000
Tax expense / (income) comprises		
Current tax equivalents	2,711	(181)
Deferred tax equivalents relating to the origination and reversal of temporary differences	(480)	(11)
Total income tax equivalents	2,231	(192)
Attributable to continuing operations	2,231	(192)
	2,231	(192)

4. Income Tax Equivalents (continued)

4.1 Income tax equivalents recognised in profit or loss (continued)

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:

	1 Jul 09 to 30 Jun 10 $'000	13 Nov 08 to 30 Jun 09 $'000
Profit from continuing operations	7,488	(640)
Profit from operations	7,488	(640)
Income tax equivalents calculated at 30%	2,246	(192)
Non-deductible expenses	2	-
Other	(17)	-
	2,231	(192)

The tax equivalent rate used in the above reconciliation is the national tax equivalent rate of 30% payable by Australian national tax equivalent entities on equivalent profits under Australian tax law. There has been no change in the national tax equivalent rate when compared with the previous reporting period.

4.2 Deferred tax equivalents recognised directly in equity

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

Actuarial gain / (loss) on defined benefit plan	148	-
	148	-

4.3 Current tax equivalent assets and liabilities

Current tax equivalent liabilities:		
National tax equivalent payable	2,711	-
Less tax equivalents paid	(1,481)	-
	1,230	-

4.4 Deferred tax equivalent assets and liabilities

Deferred tax equivalent assets comprise:		
Temporary differences	2,773	11
Tax losses - revenue	3,052	181
	5,825	192
Deferred tax equivalent liabilities comprise:		
Temporary differences	(13,410)	-
	(13,410)	-
Net deferred tax equivalent assets:	(7,585)	192

4. Income Tax Equivalents (continued)

4.4 Deferred tax equivalent assets and liabilities (continued)

Taxable and deductible differences arise from the following:

30 June 2010	Opening balance $'000	Charged to Income $'000	Charged to Equity $'000	Acquisitions/ Disposals $'000	Closing balance $'000
Deferred tax equivalent assets:					
Property, plant & equipment	5	(273)	-	(13,133)	(13,401)
Other	-	5	-	(14)	(9)
	5	(268)	-	(13,147)	(13,410)
Deferred tax equivalent liabilities:					
Provisions	3	229	148	1,869	2,249
Tax losses	181	-	-	2,871	3,052
Other	3	519	-	2	524
	187	748	148	4,742	5,825
Net deferred tax equivalent liabilities:	192	480	148	(8,405)	(7,585)
Attributable to:					
Continuing operations	192				(7,585)

30 June 2009	Opening balance $'000	Charged to Income $'000	Charged to Equity $'000	Acquisitions/ Disposals $'000	Closing balance $'000
Deferred tax equivalent assets:					
Property, plant & equipment	-	5	-	-	5
Provisions	-	3	-	-	3
Tax losses	-	181	-	-	181
Other	-	3	-	-	3
	-	192	-	-	192
Deferred tax equivalent liabilities:					
Property, plant & equipment	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Net deferred tax equivalent liabilities:	-	192	-	-	192
Attributable to:					
Continuing operations	-				192

4. Income Tax Equivalents (continued)

4.4 Deferred tax equivalent assets and liabilities (continued)

Gross cumulative tax equivalent losses of $10,174,942 were brought to account as a deferred tax asset. 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. The deferred tax asset with respect to the cumulative loss was utilised to reduce the deferred income tax provision liability.

This benefit for tax equivalent losses will only be obtained if:

a) The Corporation derives future assessable tax equivalent income of a nature and amount sufficient to enable the benefit from the deduction for the tax equivalent losses to be realised;

b) The Corporation continues to comply with the conditions of deductibility imposed by legislation; and

c) No changes in legislation adversely affect the Corporation in realising the benefit from the deduction for the tax equivalent losses.

5. Dividends Provided For or Paid

On 5 September 2009 Ben Lomond Water paid, on behalf of Esk Water Authority, a final dividend payment of $1,038,000. On 8 April 2010 the Board of Ben Lomond Water approved the payment of a $952,000 (2008-09: nil) interim dividend from 2009-10 estimated profits. This dividend was paid on 30 April 2010.

On 10 August 2010 the Board approved the payment of a final dividend of $1,009,000 (2008-09: nil), making a total dividend of $1,961,000 (2008-09: nil) for the 2009-10 financial year. In accordance with accounting standards the final dividend was not recognised in the financial statements at 30 June 2010.

Dividends were distributed to owners in accordance with the Treasurer's Allocation Order.

6. Current Assets

	30 Jun 10 $'000	30 Jun 09 $'000
6.1 Cash and Cash Equivalents		
Cash at Bank and on Hand	5,430	-
Cash Management Account with Tascorp	1,050	-
	6,480	-
6.2 Receivables		
Trade Receivables	8,342	-
Less allowance for impaired trade receivables	(232)	-
Unbilled water and sewerage income	6,308	-
Net GST Receivable	318	2
Other Current Receivables	356	-
	15,092	2

An ageing analysis of receivables is provided below in note 18.3 (credit risk management).

6. Current Assets (continued)

6.3 Inventories (at cost)

	30 Jun 10 $'000	30 Jun 09 $'000
Water	85	-
Spare parts & chemicals	1,212	-
	1,297	-

7. Property, Plant & Equipment

Fair value of assets contributed by owners was determined by an independent valuation based on depreciated replacement cost as at 1 July 2009. Subsequent to determining their fair value, the assets were then tested for impairment by applying a cash-generating unit test to determine their recoverable amount, which represents their value in use. The cash-generating unit test calculates the discounted present value of the net cash inflows that the Corporation expects to be generated from its assets, operating together within separately identified cash-generating units, over their expected useful lives. Two cash generating units were identified for the Corporation; water and sewerage. Recoverable amount was lower than depreciated replacement cost and this amount was used for the initial recognition of the asset values. No impairment loss was recorded as this was the initial recognition of asset values.

The cash-generating unit test is highly dependent on the assumptions used to estimate the future net cash flows that are derived from the relevant assets. Therefore this calculation contains an element of subjectivity and uncertainty in relation to these assumptions. The main assumptions were:

Item	Assumption
Discount rate	Real pre-tax weighted average cost of capital of 7.51% per annum based on independent review.
CPI Rate	2.5% per annum.
Period of discounting	7 years with a terminal value, based on a perpetuity factor of 14.49, applied for subsequent years.
Cash inflows	Based on most recent revenue forecast and Corporate Plan estimates, incorporating nominal average price increase of 8.5% per annum as per the Interim Price Order. After allowing for CPI the real price increase is 6% per annum.
Cash outflows	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average cost increase of 2.5% per annum and labour increase of 4.0%. After allowing for CPI the real cost increase is nil and real labour increase of 1.5% per annum assumed. Capital expenditure as per most recent forecast and Corporate Plan.

7. Property, Plant & Equipment (continued)

	30 Jun 10 $'000	30 Jun 09 $'000
Infrastructure Assets - Water		
At Fair Value	277,060	-
Accumulated Depreciation	(7,368)	-
	269,692	-
Infrastructure Assets - Sewerage		
At Fair Value	207,852	-
Accumulated Depreciation	(4,388)	-
	203,464	-
Freehold Land		
At Fair Value	10,252	-
Buildings		
At Fair Value	1,001	-
Accumulated Depreciation	(14)	-
	987	-
Other Assets		
At Cost	3,619	-
Accumulated Depreciation	(639)	-
	2,980	-
Assets Under Construction		
At Cost	17,330	16
Total	504,705	16

Property, Plant & Equipment – Reconciliation

Asset Group ($'000)	Infrastructure Assets Water at Fair Value	Infrastructure Assets Sewerage at Fair Value	Freehold Land at Fair Value	Buildings at Fair Value	Other Assets at at Cost	Work in Progress at Cost	Total
Net Book Value as at 13 November 2008	-	-	-	-	-	-	-
Additions at cost	-	-	-	-	-	16	16
Transfers from Work in Progress	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Indexation	-	-	-	-	-	-	-
Depreciation Expenses	-	-	-	-	-	-	-
Net Book Value as at 30 June 2009	-	-	-	-	-	16	16

7. Property, Plant & Equipment (continued)

Property, Plant & Equipment – Reconciliation (continued)

Asset Group ($'000)	Infrastructure Assets Water at Fair Value	Infrastructure Assets Sewerage at Fair Value	Freehold Land at Fair Value	Buildings at Fair Value	Other Assets at at Cost	Work in Progress at Cost	Total
Net Book Value as at 1 July 2009	-	-	-	-	-	16	16
Transfers from Owners (Note 21)	273,917	204,511	10,252	1,001	1,960	6,464	498,105
Contributed Assets at Fair Value	1,671	-	-	-	-	-	1,671
Additions at cost	714	1,150	-	-	23	15,760	17,647
Transfers from Work in Progress	853	2,264	-	-	1,793	(4,910)	-
Disposals	(64)	(72)	-	-	(54)	-	(190)
Indexation	-	-	-	-	-	-	-
Depreciation Expenses	(7,399)	(4,389)	-	(14)	(742)	-	(12,544)
Net Book Value as at 30 June 2010	269,692	203,464	10,252	987	2,980	17,330	504,705

If property, plant and equipment were measured at depreciated replacement cost the carrying amounts at 30 June 2010 would be as follows. Depreciated replacement cost of water and sewerage assets was determined at 1 July 2009 by an independent valuation undertaken by GHD and Serck. Other assets are valued at written down replacement cost as determined by owners.

Asset Group ($'000)	Water Infrastructure Assets	Sewerage Infrastructure Assets	Freehold Land	Buildings	Other Assets	Work in Progress	Total
Depreciated replacement cost	334,902	412,454	10,678	1,042	3,694	17,330	780,100
Accumulated depreciation	(23,185)	(25,233)	-	(14)	(747)	-	(49,179)
Net Carrying Amount	311,717	387,221	10,678	1,028	2,947	17,330	730,921

The Corporation deemed cost as at 1 July 2009 to be the depreciated replacement cost as noted above. If property, plant and equipment were measured using the cost model the carrying amounts at 30 June 2010 would be as follows.

Asset Group ($'000)	Water Infrastructure Assets	Sewerage Infrastructure Assets	Freehold Land	Buildings	Other Assets	Work in Progress	Total
Cost	542,413	585,877	10,678	1,450	4,989	17,330	1,162,737
Accumulated depreciation	(230,696)	(198,656)	-	(422)	(2,042)	-	(431,816)
Net Carrying Amount	311,717	387,221	10,678	1,028	2,947	17,330	730,921

8. Intangibles

	30 Jun 10 $'000	30 Jun 09 $'000
Computer software		
At Cost	77	-
Accumulated Amortisation	(7)	-
	70	-
Work in Progress		
At Cost	-	-
Total	70	-

Intangibles	Software $'000	Work in Progress $'000	Total $'000
Net Book Value as at 13 November 2008	-	-	-
Additions at cost	-	-	-
Disposals	-	-	-
Amortisation Expenses	-	-	-
Net Book Value as at 30 June 2009	-	-	-
Net Book Value as at 1 July 2009	-	-	-
Additions at cost	77	-	77
Disposals	-	-	-
Amortisation Expenses	(7)	-	(7)
Net Book Value as at 30 June 2010	70	-	70

9. Current and Non-current Liabilities

9.1 Borrowings

All semi-government borrowings have been transacted through the Tasmanian Public Finance Corporation (Tascorp).
All borrowings are secured by a charge over revenue.

	30 Jun 10 $'000	30 Jun 09 $'000
Borrowings:		
Current Liabilities	5,211	-
Non-current Liabilities	11,833	-
Total Borrowings	17,044	-

9.2 Provisions

	Note	30 Jun 10 $'000	30 Jun 09 $'000
Current:			
Employee Benefits	9.3	3,153	9
		3,153	9
Non-current:			
Employee Benefits	9.3	4,329	-
		4,329	-

	Employee Benefits $'000
Opening balance as at 13 November 2008	-
Additional provisions	9
Amounts used	-
Balance at 30 June 2009	9
Opening balance at 1 July 2009	9
Amounts transferred on 1 July 2009	6,378
Additional provisions	2,000
Amounts used	(905)
Balance at 30 June 2010	7,482

9.3 Employee Benefits

	30 Jun 10 $'000	30 Jun 09 $'000
Current:		
Annual Leave	1,334	9
Long Service Leave	1,491	-
Workers Compensation	-	-
Salaries and Wages	217	-
Sick Leave	-	-
Defined Benefit Superannuation - RBF (refer note 11.1)	111	-
Defined Benefit Superannuation - Quadrant (refer note 11.2)	-	-
	3,153	9

9. Current and Non-current Liabilities (continued)

9.3 Employee Benefits (continued)

	30 Jun 10 $'000	30 Jun 09 $'000
Non-current:		
Long Service Leave	193	-
Defined Benefit Superannuation - RBF (refer note 11.1)	2,696	-
Defined Benefit Superannuation - Quadrant (refer note 11.2)	1,440	-
	4,329	-
Total [1]	7,482	9

[1] The employee benefits provision at 30 June 2010 included attributable on-costs of $217,085 (2009: $1,419).

	Employees	Employees
Number of Employees at year end	177	1

9.4 Payables

	30 Jun 10 $'000	30 Jun 09 $'000
Trade Creditors	1,828	2
Accrued Expenses	3,191	677
Accrued Interest Expense	104	-
Total	5,123	679

9.5 Unearned Income

Current:		
Government grants (refer note 1.4)	44	-
Non-current:		
Government grants (refer note 1.4)	1,583	-
Total	1,627	-

10. Members' Equity

The Corporation is owned by eight Councils in northern Tasmania as detailed in note 19. Each owner's share of equity was determined effective 1 July 2009 by its proportionate share of total net assets contributed to the Corporation. Each of the eight owners hold one share in the Corporation, with each share having equal voting rights. Each share has an issue price of $1.

10. Members' Equity (continued)

10.1 Retained Profits (Accumulated Losses)

	30 Jun 10 $'000	30 Jun 09 $'000
Balance at the Beginning of Period	(448)	-
Actuarial Gain (loss) on defined benefit plan	(344)	-
Dividends paid	(952)	-
Share of Associates comprehensive income (loss)	(2)	
Revaluation increments (decrements) attributable to assets disposed of during the Period	-	-
Profit (Loss) after Income Tax Expense	5,257	(448)
Balance at the End of Period	3,511	(448)

10.2 Contributed Equity

Balance at the Beginning of Period	-	-
Equity Contribution on Formation (refer note 21)	484,103	-
Capital Issued during the Period [1]	-	-
Balance at the End of Period	484,103	-

[1] Each of the eight owners hold one share with each share having equal voting rights and an issue price of $1.

11. Superannuation and Defined Benefit Plans

At 30 June 2009 the Corporation did not have a defined benefit superannuation liability, accordingly comparatives for 30 June 2009 are not reported. As part of the water and sewerage reform discussed in notes 1, 20 and 21, two defined benefit superannuation liabilities, RBF and Quadrant, were transferred to the Corporation from Esk Water and the eight Owner Councils on 1 July 2009. Disclosures regarding these two funds are provided in notes 11.1 and 11.2 respectively.

The Corporation also makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund, which is a sub-fund of the Quadrant Superannuation Scheme. The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119, the Corporation does not use defined benefit accounting for these contributions.

At the present time the Corporation contributes 9.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Corporation is required to meet its share of the deficiency.

Bendzulla Actuarial Pty Ltd undertook the last actuarial review of the Fund at 30 June 2008. The review disclosed that at that time the net market value of assets available for funding member benefits was $84,786,241, the value of vested benefits was $77,075,401, the surplus was $7,707,840, and the value of total accrued benefits was $81,398,000. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Quadrant Superannuation Scheme's financial statements for Corporation employees.

The financial assumptions used to calculate the Accrued Benefits for the Fund were:

Net Investment Return -17.0% p.a. for 2008/09 and 7.0% p.a. thereafter
Salary Inflation 4.0% pa
Price Inflation n/a

In the opinion of the Actuary, the Quadrant Defined Benefit Fund was adequately funded in that assets were sufficient to cover the vested benefits of all members at the review date and the actuarial value of accrued past service benefits.

11. Superannuation and Defined Benefit Plans (continued)

At 30 June 2009, the net market value of assets available for funding member benefits had fallen to $58,450,000 largely due to the poor investment returns that were experienced during the 2009 financial year. The value of vested benefits at that date was $64,350,000 resulting in a shortfall of $5,900,000. When the Fund's assets are below the vested benefits, superannuation law defines this as an 'unsatisfactory financial position'. As a result of the Fund moving into an unsatisfactory financial position, the Quadrant Trustee prepared a plan to restore the financial position within a reasonable time frame. This plan noted the improved investment returns since 30 June 2009 and confirmed that the 9.5% contribution rate remained appropriate.

The next full triennial review will be undertaken after 31 October 2011 for 30 June 2011.

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

11.1 RBF Defined Benefit Superannuation Liability

The RBF is a defined benefit fund where members receive lump sum benefits on resignation, and lump sum or pension benefits on retirement (most of which is calculated as a multiple of the member's final average salary), death or invalidity. The RBF has contributory members, compulsory preserved members and pensioners and the defined benefits section of RBF is closed to new members. All new members receive accumulation only benefits.

As at 30 June 2010, Mercer (Australia) Pty Ltd conducted a valuation of the past service and accrued liabilities for the Corporation, within the Retirements Benefits Fund (RBF) superannuation fund. Any shortfall between the values of these benefits and the market value of the RBF assets relevant for those members determines the value of any unfunded superannuation and is shown as a liability in the statement of financial position. These amounts are included in the superannuation liability reported in note 9.3 above. The funding status of the Corporation's share of this scheme as at 30 June 2010, based on the actuarial valuation, is summarised as follows:

Principal Actuarial Assumptions as at Balance Date

	30 Jun 10
Discount rate	5.35%
Expected salary increase rate	4.50%
Expected return on plan assets (1)	7.00%
Expected pension increase rate	2.50%
Expected rate of increase compulsory preserved amounts	4.50%

Note 1: The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for correlations of the investment returns between asset classes. The returns used for each asset class are net of estimated investment tax and investment fees.

The discount rate is based on the market yields on the longest dated Government Bonds as at 30 June 2010 extrapolated to allow for the fact that the term of the liabilities exceeds the term of the longest Government bond and adjusted to allow for investment tax, based on the expected rate of tax payable by the Fund. The decrement rates used (eg: mortality and retirement rates) are based on those used at the last actuarial valuation of the Fund.

Operating Costs

Operating costs for the Fund as a whole were assumed to be incurred at the rate of 1.5% of salaries. This cost is allocated to each entity in proportion to assets.

11. Superannuation and Defined Benefit Plans (continued)

11.1 RBF Defined Benefit Superannuation Liability (continued)

Temporary Invalidity Expense

The cost of temporary invalidity benefits was assumed to be 0.38% of salaries of current contributory members.

Fund Assets disclosure

	30 Jun 10
Australian equities	26%
Overseas equities	22%
Fixed interest securities	12%
Property, infrastructure and related assets	20%
Other	14%

Assets are not held separately for each entity but are held for the Fund as a whole. The fair value of Fund assets was established by allocating the total Fund assets to each entity in proportion to the value of each entity's funded liabilities, calculated using the assumptions outlined in this report. The fair value of Fund assets includes no amounts relating to any of the entity's own financial instruments or any property occupied by, or other assets used by, the entity.

Statement of Financial Position as at 30 June - Net liability	$'000
Defined benefit obligation	3,437
RBF Contributory scheme assets (1)(2)	(630)
Deficit/(surplus)	2,807
Unrecognised past service cost	-
Unrecognised net (gain)/loss	-
Adjustment for Limitation on net assets	-
Net liability / (asset)	2,807
Current net liability	111
Non-current net liability	2,696

Expense Recognised in the Income Statement

Employer service cost	45
Interest cost	156
Expected return on plan assets	(38)
Expense recognised in employee related expenses	163

Amounts Recognised in Other Comprehensive Income

Recognised actuarial (gains) / losses (1)	442

Note 1: As noted above, actuarial gains and losses are recognised in Other Comprehensive Income

11. Superannuation and Defined Benefit Plans (continued)

11.1 RBF Defined Benefit Superannuation Liability (continued)

Reconciliation of Fair Value of Scheme Assets

	30 Jun 10 $'000
Fair value of plan assets at end of prior year	554
Estimated employer contributions	48
Estimated participant contributions	11
Estimated operating costs	(5)
Estimated benefit payments	(65)
Expected return on assets	38
Expected assets at year end	581
Actuarial gain / (loss) on assets	49
Individual plan assets at year end	630
Actual return on plan assets[1]	87

Note 1: 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

Total defined benefit obligations at end of prior year	2,803
Employer service cost plus operating costs	45
Interest cost	156
Actual participant contributions	11
Actual operating costs (administration, insurance)	(5)
Actual benefit payment plus contributions tax	(65)
Expected defined benefit obligations at year end	2,945
Actuarial (gain) / loss on liabilities	492
Actual total defined benefit obligations at year end	3,437

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

Historical information

Total defined benefit obligation	3,437
Actual assets at year end	(630)
Deficit / (surplus)	2,807
Experience adjustment on liabilities	268
Experience adjustment on assets	(49)

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

11. Superannuation and Defined Benefit Plans (continued)

11.1 RBF Defined Benefit Superannuation Liability (continued)

Expected Contributions - Financial Year Ending 30 June 2011

The estimated employer contributions for the following financial year are $111,000.

11.2 Quadrant Defined Benefit Superannuation Liability

Quadrant is a defined benefit fund where members receive lump sum benefits on resignation, and lump sum or pension benefits on retirement (most of which is calculated as a multiple of the member's final average salary), death or invalidity. The Quadrant Fund has contributory members, compulsory preserved members and pensioners.

As at 30 June 2010, Bendzulla Actuarial Pty Ltd conducted a valuation of the past service and accrued liabilities for the Corporation, within the Quadrant superannuation fund. Any shortfall between the values of these benefits and the market value of the Quadrant assets relevant for those members determines the value of any unfunded superannuation and is shown as a liability in the statement of financial position. These amounts are included in the superannuation liability reported in note 9.3 above. The funding status of the Corporation's share of this scheme as at 30 June 2010, based on the actuarial valuation, is summarised as follows:

Principal Actuarial Assumptions as at Balance Date	30 Jun 10
Discount rate	5.00%
Expected salary increase rate	4.00%
Expected return on plan assets (1)	6.03%

Note 1: The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for correlations of the investment returns between asset classes. The returns used for each asset class are net of estimated investment tax and investment fees.

The discount rate is based on the market yields on the longest dated Government Bonds as at 30 June 2010 extrapolated to allow for the fact that the term of the liabilities exceeds the term of the longest Government bond and adjusted to allow for investment tax, based on the expected rate of tax payable by the Fund. The decrement rates used (eg: mortality and retirement rates) are based on those used at the last actuarial valuation of the Fund.

Fund Assets disclosure

Australian equities	32%
Overseas equities	26%
Fixed interest securities	0%
Property	10%
Other	32%

Assets are not held separately for each entity but are held for the Fund as a whole. The fair value of Fund assets was established by allocating the total Fund assets to each entity in proportion to the value of each entity's funded liabilities, calculated using the assumptions outlined in this report.

The fair value of Fund assets includes no amounts relating to any of the entity's own financial instruments or any property occupied by, or other assets used by, the entity.

11. Superannuation and Defined Benefit Plans (continued)

11.2 Quadrant Defined Benefit Superannuation Liability (continued)

Statement of financial position results as at 30 June - Net liability	30 Jun 10 $'000
Defined benefit obligation	8,625
Quadrant Contributory scheme assets	(7,185)
Deficit/(surplus)	1,440
Unrecognised past service cost	-
Unrecognised net (gain) loss	-
Adjustment for Limitation on net assets	-
Net liability (asset)	1,440
Current net liability	-
Non-current net liability	1,440

Expense Recognised in the Income Statement

Employer service cost	338
Interest cost	320
Expected return on plan assets	(374)
Expense recognised in employee related expenses	284

Amounts Recognised in Other Comprehensive Income

Recognised actuarial (gains) / losses (1)	50

Note 1: As noted above, actuarial gains and losses are recognised in Other Comprehensive Income

Reconciliation of Fair Value of Scheme Assets

Fair value of plan assets at end of prior year	5,780
Estimated employer contributions	364
Estimated participant contributions	226
Estimated operating costs	-
Estimated benefit payments	(63)
Expected return on assets	374
Expected assets at year end	6,681
Actuarial gain / (loss) on assets	504
Individual plan assets at year end	7,185
Actual return on plan assets(1)	712

Note 1: As separate assets are not held for each entity, the actual return includes any difference in the allocation to each entity.

11. Superannuation and Defined Benefit Plans (continued)

11.2 Quadrant Defined Benefit Superannuation Liability (continued)

Present Value of the Defined Benefit Obligations

	30 Jun 10 $'000
Total defined benefit obligations at end of prior year	7,250
Employer service cost plus operating costs	338
Interest cost	320
Actual participant contributions	226
Actual operating costs (administration, insurance)	-
Actual benefit payment plus contributions tax	(63)
Expected defined benefit obligations at year end	8,071
Actuarial (gain) / loss on liabilities	554
Actual total defined benefit obligations at year end	8,625

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

Historical information

Total defined benefit obligation	8,625
Actual assets at year end	(7,185)
Deficit / (surplus)	1,440
Experience adjustment on liabilities	(257)
Experience adjustment on assets	338

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

Expected Contributions - Financial Year Ending 30 June 2011

The estimated employer contributions for the following financial year are $374,524.

12. Commitments For Expenditure

12.1 Capital Commitments

Capital commitments totalling $10,568,094 under contracts as at 30 June 2010 are not provided for in the financial statements.

	30 Jun 10 $'000	30 Jun 09 $'000
Payments within 1 year	10,568	-
Payments 1 – 5 years	-	-
Payments longer than 5 years	-	-
Total	10,568	-

12. Commitments For Expenditure (continued)

12.2 Lease Commitments

	1 Jul 09 to 30 Jun 10 $'000	13 Nov 08 to 30 Jun 09 $'000
Lease payments expensed during the period	397	-
Operating Lease Liability		
Payments within 1 year	367	345
Payments 1 – 5 years	395	689
Payments longer than 5 years	354	-
Total	1,116	1,034

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

13. Contingent Liabilities

Prior to 30 June 2009 an owner Council dismissed a contractor engaged to design and construct a waste water treatment plant, notified a dispute and considered it had a claim to be taken to arbitration to cover the cost of completing the project. The contractor subsequently took action against the Council seeking redress. This action was not successful and the contractor has now agreed that an arbitration conference is appropriate and dates are being discussed. Based on legal advice, the Directors are of the opinion that no provision is required at the time of finalising the financial report.

14. Remuneration of Auditors

	$	$
Audit Services - Tasmanian Audit Office:		
Annual external audit fee	49,880	5,000
Total fees, exclusive of GST	49,880	5,000

15. Compensation of Key Management Personnel

	$	$
Directors		
Short-Term	174,298	114,037
Post Employment (superannuation)	16,406	10,264
Other Long-Term	-	-
Termination Benefits	-	-
Other Key Management Personnel		
Short-Term	898,492	89,334
Post Employment (superannuation)	93,198	8,462
Other Long-Term	-	-
Termination Benefits	-	-
	1,182,394	222,097

15. Compensation of Key Management Personnel (continued)

The number of directors and key management personnel included within the compensation total noted above are shown below in their respective income bands:

Directors' Remuneration	Total 1 Jul 09 to 30 Jun 10 Number	Base 1 Jul 09 to 30 Jun 10 Number	Total 13 Nov 08 to 30 Jun 09 Number	Base 13 Nov 08 to 30 Jun 09 Number
$10,000 - $19,999	-	-	5	5
$20,000 - $29,999	3	5	-	-
$30,000 - $39,999	2	-	-	-
$40,000 - $49,999	-	-	1	1
$50,000 - $59,999	1	1	-	-
	6	6	6	6

Other Key Management Personnel Remuneration	Total 1 Jul 09 to 30 Jun 10 Number	Base 1 Jul 09 to 30 Jun 10 Number	Total 13 Nov 08 to 30 Jun 09 Number	Base 13 Nov 08 to 30 Jun 09 Number
$10,000 - $19,999	-	-	1	1
$70,000 - $79,999	-	-	-	1
$80,000 - $89,999	-	-	1	-
$90,000 - $99,999	-	1	-	-
$100,000 -$109,999	-	1	-	-
$110,000 - $119,999	1	1	-	-
$120,000 - $129,999	2	2	-	-
$130,000 - $139,999	2	1	-	-
$140,000 - $149,999	1	-	-	-
$200,000 - $209,999	-	1	-	-
$220,000 - $229,999	1	-	-	-
	7	7	2	2

Base remuneration represents gross salary. Total remuneration includes superannuation. There were no amounts paid by the Corporation in connection with the retirement of responsible persons of the Corporation during the financial year.

16. Related Party Disclosures

16.1 Board Directors

The Board Directors during the financial year ended 30 June 2010 were:

- Geoff Willis (Chairman)
- Brian Bayley
- Miles Hampton
- Sarah Merridew
- Dan Norton
- Elizabeth Swain

16. Related Party Disclosures (continued)

16.1 Board Directors (continued)

The remuneration of the Board of Directors is detailed in note 15. Other expenses associated with the Board are as follows:

	30 Jun 10
	$
Accommodation and meals	14,697
Director professional development	929
	15,626

16.2 Transactions with Director Related Parties

The Corporation provided water and sewerage services to Directors.

There were no loans in existence by the Corporation to responsible persons or related parties during the financial year.

Energy services were provided to the Corporation by Aurora Energy Pty Ltd, of which Geoff Willis and Dan Norton are directors.

All director related transactions were conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. Where matters for resolution were discussed in respect to the above transactions, directors were not present in meetings.

16.3 Transactions with Other Related Parties

The Corporation owns a one third share in Tasmanian Water and Sewerage Corporation (Common Services) Pty Limited, trading as Onstream. The Corporation received payments from Onstream for reimbursement of costs, the transfer of assets and liabilities on 1 July 2009 (see note 21) and other miscellaneous services. Transactions are on an arm's length basis in the normal course of business and on commercial terms and conditions. Total sales (exclusive of GST) and amounts receivable were:

Sales for the year ended 30 June 2010	Sales $'000	Amounts Receivable as at 30 Jun 10 $'000
Onstream	193	145

Sales for the period ended 30 June 2009	Sales $'000	Amounts Receivable as at 30 Jun 09 $'000
Onstream	-	-

Onstream provides various services to the Corporation including information technology, payroll, accounts payable, billing and revenue collection. Refer to Note 20 for financial information of the investment in this associate. Transactions were not conducted on an "arm's length" basis as the owner corporations were involved in the setting of prices and prices were only charged on a cost recovery basis. All services are charged monthly with settlement within 31 days. Total purchases (exclusive of GST) and amounts payable were:

Purchases for the year ended 30 June 2010	Services Provided $'000	Other Costs $'000	Amounts Payable as at 30 Jun 10 $'000
Onstream	3,259	539	933

Purchases for the period ended 30 June 2009	Services Provided $'000	Other Costs $'000	Amounts Payable as at 30 Jun 09 $'000
Onstream	295	-	530

16. Related Party Disclosures (continued)

16.3 Transactions with Other Related Parties (continued)

The Corporation is owned by eight Councils in northern Tasmania as detailed in note 19. The Councils make payments to the Corporation for water and sewerage services and other miscellaneous services. Transactions are on an arm's length basis in the normal course of business and on commercial terms and conditions.

Sales for the year ended 30 June 2010	Water & Sewerage Sales $'000	Other Services $'000	Amount Receivable as at 30 Jun 10 $'000
Break O'Day Council	21	9	118
Dorset Council	1	-	-
Flinders Council	-	-	-
George Town Council	2	-	-
Launceston City Council	326	62	30
Meander Valley Council	36	-	-
Northern Midlands Council	27	-	-
West Tamar Council	16	1	-

Sales for the period ended 30 June 2009	Water & Sewerage Sales $'000	Other Services $'000	Amount Receivable as at 30 Jun 09 $'000
Break O'Day Council	-	-	-
Dorset Council	-	-	-
Flinders Council	-	-	-
George Town Council	-	-	-
Launceston City Council	-	-	-
Meander Valley Council	-	-	-
Northern Midlands Council	-	-	-
West Tamar Council	-	-	-

The Corporation makes payments to the Councils for rates, community service obligations and other miscellaneous services. Transactions are on an arm's length basis in the normal course of business and on commercial terms and conditions.

Purchases for the year ended 30 June 2010	Council Rates $'000	Other Council Services $'000	Amount Payable as at 30 Jun 10 $'000
Break O'Day Council	11	60	1
Dorset Council	-	133	-
Flinders Council	-	25	-
George Town Council	41	72	-
Launceston City Council	61	1,106	27
Meander Valley Council	8	95	-
Northern Midlands Council	11	119	1
West Tamar Council	12	184	-

16. Related Party Disclosures (continued)

16.3 Transactions with Other Related Parties (continued)

Purchases for the period ended 30 June 2009	Council Rates $'000	Other Council Services $'000	Amount Payable as at 30 Jun 09 $'000
Break O'Day Council	-	-	-
Dorset Council	-	-	-
Flinders Council	-	-	-
George Town Council	-	-	-
Launceston City Council	-	-	-
Meander Valley Council	-	-	-
Northern Midlands Council	-	-	-
West Tamar Council	-	-	-

17. Notes to the Statement of Cash Flows

The Corporation did not have any cash transactions prior to 1 July 2009 with all expenditure incurred by the Corporation funded by an associate company, Onstream. Accordingly the Corporation reported no cash flows in the Statement of Cash Flows for the period ended 30 June 2009.

17.1 Reconciliation of Net Cash Flow From Operating Activities to Operating Result

	30 Jun 10 $'000	30 Jun 09 $'000
Net Profit (Loss) before Income Tax Equivalents	7,488	(640)
Add (Less) Non-Cash Items:		
Depreciation and Amortisation Expense	12,551	-
Loss (Profit) on Sale of Non-current Assets	54	-
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(15,926)	(2)
(Increase) Decrease in Stores	(1,212)	-
(Increase) Decrease in Water Inventory	(85)	-
(Increase) Decrease in Prepayments	(17)	(30)
Increase (Decrease) in Payables	4,444	663
Increase (Decrease) in Employee Benefits	6,981	9
Operating Assets and Liabilities Contributed by Owners	(6,280)	
Income Tax Paid	(1,481)	-
Cash Flows from Operating Activities	6,517	-

17. Notes to the Statement of Cash Flows (continued)

17.2 Reconciliation of Cash and Cash Equivalents

	30 Jun 10 $'000	30 Jun 109 $'000
Cash Management Account with Tascorp	1,050	-
Cash at Bank and on Hand	5,430	-
Cash as per Cash Flow Statement	6,480	-

17.3 Credit Facilities

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

Master Loan Borrowing Limit		
Facility	28,000	-
Less used / committed	17,044	-
Balance	10,956	-
Corporate MasterCard		
Facility	100	-
Less used / committed	6	-
Balance	94	-

18. Financial Instruments

18.1 Significant Accounting Policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This note presents information about the Corporations exposure to each of these risks, and the objectives policies and processes for measuring and managing risk.

Details of significant accounting policies and methods adopted in the recognition and measurement with respect to each class of financial assets and liabilities are included under notes 1.7, 1.9, 1.15 and 1.16.

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

Financial Assets		
Cash and cash equivalents	6,480	-
Receivables	15,092	2
Financial Liabilities		
Amortised Cost	22,167	679

18. Financial Instruments (continued)

18.2 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 limiting the exposure of the Corporation to interest repricing in any one period by adopting debt portfolio maturities and to spread debt between fixed and floating instruments.

The following table details the Corporation's exposure to interest rates risk as at 30 June 2010.

	Variable interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total carrying amount	Weighted average interest rate
As at 30 June 2010	$000	< 1 year $000	1 – 5 years $000	> 5 years $000	$000	$000	
Financial Assets							
Cash at Bank	5,430	-	-	-	-	5,430	4.40%
Cash Management Account	1,050	-	-	-	-	1,050	4.50%
Receivables	-	-	-	-	15,092	15,092	-
Total	6,480	-	-	-	15,092	21,572	-
Financial Liabilities							
Borrowings - Tascorp	5,187	-	8,000	3,857	-	17,044	6.10%
Payables	-	-	-	-	5,123	5,123	-
Total	5,187	-	8,000	3,857	5,123	22,167	-
Net Financial (Liabilities) Assets	1,293	-	(8,000)	(3,857)	9,969	(595)	

	Variable interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total carrying amount	Weighted average interest rate
As at 30 June 2009	$000	< 1 year $000	1 – 5 years $000	> 5 years $000	$000	$000	
Financial Assets							
Cash at Bank	-	-	-	-	-	-	0.00%
Cash Management Account	-	-	-	-	-	-	0.00%
Receivables	-	-	-	-	2	2	-
Total	-	-	-	-	2	2	-
Financial Liabilities							
Borrowings - Tascorp	-	-	-	-	-	-	0.00%
Payables	-	-	-	-	679	679	-
Total	-	-	-	-	679	679	-
Net Financial (Liabilities) Assets	-	-	-	-	(677)	(677)	

18. Financial Instruments (continued)

18.2 Interest Rate Risk (continued)

As highlighted above the Corporation's total exposure to variable interest rates at 30 June 2010 was a net asset of $1,293,000 (2009: nil). A change of 1% in interest rates at 30 June would have the following impact on profit after tax and equity.

	Profit after tax higher/(lower) 1% increase 30 Jun 10 $000	Profit after tax higher/(lower) 1% decrease 30 Jun 10 $000	Profit after tax higher/(lower) 1% increase 30 Jun 09 $000	Profit after tax higher/(lower) 1% decrease 30 Jun 09 $000
Variable Interest Rate Instruments	9	(9)	-	-
Total	9	(9)	-	-

18.3 Credit Risk

Exposure to credit risk arises from the potential default of a counter party, with respect to the Corporation's financial assets. Financial assets include cash and cash equivalents, trade and other receivables. As identified in note 18.2, the Corporation's maximum exposure to credit risk at reporting date was $22 million.

The Corporation's credit risk management policy minimises credit risk through limiting exposure to individual creditworthy counterparties, identifying credit exposure from financial instrument transactions and maintaining capital usage limits. For cash at bank it's the Corporations policy to only deal with Australian banks with high credit ratings.

All receivable balances are monitored on an ongoing basis with the result that the Corporation's exposure to bad debts is not significant. The ageing of the Corporation's receivables, excluding unbilled water and sewerage income, at the reporting date was:

	Gross 30 Jun 10 $000	Impaired 30 Jun 10 $000	Gross 30 Jun 09 $000	Impaired 30 Jun 09 $000
Not past due	14,803	232	2	-
Past due 0-30 days	89	-	-	-
Past due 31-90 days	148	-	-	-
More than 90 days	52	-	-	-
Total	15,092	232	2	-

18.4 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.

The following table identifies the contractual maturities of financial liabilities at reporting date:

18. Financial Instruments (continued)

18.4 Liquidity Risk (continued)

As at 30 June 2010	3 months or less $000	3 - 12 months $000	1 - 2 years $000	2 - 5 years $000	> 5 years $000
Borrowings - Tascorp	5,190	790	2,730	7,443	4,173
Payables	5,123	-	-	-	-
Total	10,313	790	2,730	7,443	4,173

As at 30 June 2009	3 months or less $000	3 - 12 months $000	1 - 2 years $000	2 - 5 years $000	> 5 years $000
Borrowings - Tascorp	-	-	-	-	-
Payables	679	-	-	-	-
Total	679	-	-	-	-

18.5 Foreign Exchange Risk

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

18.6 Net Fair Value

At balance date the Corporation did not hold any financial instruments which have been measured at fair value and recognised on the Statement of Financial Position. There are no financial instruments to report in the fair value hierarchy for 30 June 2010 (2009: Nil). 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 2010 (2009: Nil). The fair value of financial assets and financial liabilities at year end were:

Category	Total carrying amount per the statement of financial position		Aggregate net fair value	
	$'000 30 Jun 10	$'000 30 Jun 09	$'000 30 Jun 10	$'000 30 Jun 09
Financial Assets				
Cash at Bank	5,430	-	5,430	-
Cash Management Account	1,050	-	1,050	-
Receivables	15,092	2	15,092	2
Total	21,572	2	21,572	2

Financial Liabilities				
Borrowings	17,044	-	17,206	-
Payables	5,123	679	5,123	679
Total	22,167	679	22,329	679

18. Financial Instruments (continued)

18.6 Net Fair Value (continued)

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 due to the short-term nature of the instrument;

Receivables, Trade Creditors & 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 2010. Borrowings held until maturity are paid at the carrying amount.

18.7 Capital Management Policy

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide appropriate returns for its voting shareholders and benefits for the community within its area of operations. This is achieved by maintaining an optimal capital structure that aims to minimise or reduce the cost of capital, whilst at the same time ensuring the Corporation's operations and capital works objectives are achieved.

This is achieved through the monitoring of key financial ratios, in particular ensuring the Corporation's debt levels enable the continuation of a target gearing ratio of less than 40 per cent borrowings. The borrowings to total capital ratios were as follows:

	30 Jun 10 $'000	30 Jun 09 $'000
Borrowings	17,044	-
Equity	487,614	-
Total debt to total equity ratio	3%	0%

19. Controlling Entities

The Corporation operates as an entity under the Corporation Act 2001 and in accordance with the Water and Sewerage Corporations Act 2008 (WSCA) and the Water and Sewerage Industry Act 2008 (WSIA). The Corporation is owned by the following eight Councils in northern Tasmania: Break O'Day Council, Dorset Council, Flinders Council, George Town Council, Launceston City Council, Meander Valley Council, Northern Midlands Council and West Tamar Council.

20. Investment in Associate

Investments in Associates are accounted for using the equity method, in accordance with AASB 128 and are initially recognised at cost.

The Corporation's share of profits or losses of the Associate is recognised in its income statement, with an equivalent adjustment to the carrying value of the investment. The Corporation's share of movements in the Associate's equity that has not been recognised in the Associate's profit or loss is recognised directly in equity.

20. Investment in Associate (continued)

On 9 December 2008 the Corporation was issued one of three shares in Tasmanian Water and Sewerage Corporation (Common Services) Pty Limited, trading as Onstream. The other two shares are owned by Tasmanian Water and Sewerage Corporation (Southern Region) Pty Limited, trading as Southern Water and Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Limited, trading as Cradle Mountain Water. All ordinary shares shall rank pari passu in all respects, except for the dividend rights attaching to the shares, which are determined by the proportion of sales by Onstream to each owner. The Corporation's share of Onstream's profit for the year is also determined on this basis.

Onstream provides various services to all three owners including information technology, payroll, accounts payable, billing and revenue collection. For details on the costs of these services, refer Note 16.3.

The following table shows summarised financial information for Onstream, together with a reconciliation of movements in the carrying amount of the Corporation's investment. Onstream's figures are for the same year end date as the Corporation's accounts.

Summarised financial information of Onstream	30 Jun 10 $'000	30 Jun 09 $'000
Revenue	15,120	1,678
Profit (loss) before income tax	31	-
Income tax equivalents (expense) benefit	36	-
Profit (loss) after income tax	67	-
Other comprehensive income (loss) after tax	(9)	-
Total comprehensive income for period	58	-
Corporation's share of profit (loss) before tax	8	-
Corporation's share of income tax equivalents expense	8	-
Corporation's share of profit (loss) after tax	16	-
Corporation's share of other comprehensive income (loss) after tax	(2)	-
Corporation's total comprehensive income after tax	14	-
Assets	10,604	4,702
Liabilities	(10,546)	(4,702)
Net Assets	58	-
Reconciliation of carrying amount of investment		
Carrying amount at beginning of the year	-	-
Share of surplus / (deficit) for the year	14	-
Carrying amount at end of the year	14	-

21. Transfer of assets and liabilities from owners

On 1 July 2009 most water and sewerage related assets, rights, borrowings and employees of Esk Water and the eight owner Councils listed in note 19 were transferred to the Corporation. The valuation basis for the transfers were, assets initially at book value and subsequently amended to fair value based on future income streams, borrowings and short term employee entitlements were at cost and long term employee entitlements at present value. The amount of net assets transferred to the Corporation is $484 million, as detailed below. This amount was recognised as contributed equity (refer note 10.2).

	$'000
Cash	18,989
Receivables	1,439
Inventories	1,216
Property, Plant & Equipment	498,105
Payables	(1,519)
Borrowings	(18,350)
Employee Provisions	(6,378)
Provision for Dividends (Esk Water)	(1,038)
Net Deferred Tax Liability	(8,361)
	484,103

22. Subsequent Events

There were no subsequent events at the time of finalising the financial report.

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