



Annual Report 2011 - 2012





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Chairman's Report

The Year Under Review

The financial result of an after tax profit of \$6.96 million compared with \$7.02 million in 2010-11 was very satisfactory.

In our first three years of operation, we have confronted significant challenges on many fronts as we have sought to become fully functional as a newly established, standalone business.

In 2011-12 we had before us two very significant non-negotiable deadlines: preparation for the introduction of two-part pricing from 1 July 2012 and the finalisation of our Price and Service Plan for the three years commencing 1 July 2012.

Whilst our region was already largely metered, we determined to replace our entire residential meter fleet with modern technology meters.

The meter installation program was delivered on time and within budget, a credit to all involved in the planning, management and delivery of the very demanding work schedule.

The preparation of the Price and Service Plan, its subsequent review and ultimate approval by the Tasmanian Economic Regulator was a significant whole of business task.

That the Tasmanian Economic Regulator largely endorsed the Plan prepared by Ben Lomond Water (BLW) reflects the effort and thought that had underpinned our Plan.

The approval of the Plan means that from 1 July 2012 our customers will be moving to a fairer and more equitable pricing regime for water and sewerage services where customers receiving similar services will pay similar charges, irrespective of where they live in the region.

The fact that we met these deadlines, while maintaining our focus on improving water and sewerage services to customers, achieving greater business efficiency, improving safety performance and building a more cohesive workforce, is a significant achievement for the corporation as a whole.

During the year we continued to deliver on some other important projects: work was completed on the Queechy sewage pump station and commissioning commenced at the new Scamander and Campbell Town water treatment plants. We also made significant progress with the implementation of a full effluent reuse scheme at Beaconsfield sewage treatment plant.

The implementation of our new billing system has led to significant progress in improving the timeliness and accuracy of billing services and enabled us to commence debtor management processes that had been put on hold while we operated with interim billing systems.

Towards a Single Corporation

In September 2011, on behalf of the Boards of the four corporations, I proposed to our Owner Councils that Southern Water, Ben Lomond Water, Cradle Mountain Water and common services provider, Onstream, be merged to form a single state-wide water and sewerage corporation.

The directors of Ben Lomond Water had reached the view that a merger of the four corporations would be in the best interests of our customers, our employees and our owners.

It is our belief that the Tasmanian community will be better served by a single corporation: that such a move would make it easier to ensure a consistent state-wide approach, which is necessary to facilitate investment and development, and achieve significant financial savings.



In early September 2011, the Onstream Board took the first step towards rationalisation when it decided to co-locate Onstream staff members statewide with Southern Water, Ben Lomond Water and Cradle Mountain Water respectively. The co-location has increased the synergy between shared services and the regional corporations, enhanced customer service and enabled financial savings of some \$2.3 million per annum.

In June 2012, our council owners reaffirmed their in-principle support for the amalgamation of the four corporations and agreed their preferred governance arrangements for a single corporation.

The directors of Ben Lomond Water look forward to contributing to the process of transition, confident that the corporation is now sufficiently well established to effectively manage the challenges that will have to be addressed as we move through the merger process.

It is our hope that the decision to take a proactive approach will ensure that structural changes to our industry can be achieved quickly, efficiently and without impacting on service delivery to our customers.

The Board is very aware of the potential impact of these changes on employees of the corporation.

While uncertainty is inevitable at such a time, the reality is that for the vast majority of employees nothing will change.

They will continue their vital work in maintaining, upgrading and building water and sewerage infrastructure, delivering essential services to customers, improving the quality of drinking water, protecting the environment and facilitating the developments that bring real economic benefits to the state as a whole.

The Board is confident that the leadership team at Ben Lomond Water will support and encourage employees through this period of transition.

As we prepare for a very different future, I'm confident we will continue to deliver appropriate outcomes for our customers, our employees, our owner councils and the community generally.

I acknowledge the hard work and commitment of our management team and all of our employees and thank my fellow directors for their diligence and support over the past year.

Miles Hampton
Chairman





Ben Lomond Water at a Glance

Vision

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

Mission

To deliver high quality, cost effective water and waste water services to the region.

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 to the wider community.





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

Owner Representatives

- Mr Peter Kearney
- Mr Lawrence Archer
- Mr Paul Ranson

Directors

- Mr Miles Hampton (Chair)
- Mr Brian Bayley
- Ms Jane Bennett
- Ms Sarah Merridew
- Dr Dan Norton
- Ms Liz Swain

Scope of Business

• Service Area	19,900km ²
• Population	140,000 people
• Properties Serviced	59,700
• Water Treatment Plant / Systems	35*
• Sewage Treatment Plants	35 [#]
• Employees (Full Time Equivalents)	184.7
• Length of Water Pipelines	1,942km
• Length of Sewer Main	1,481km
• Water Supplied	18,700 megalitres
• Total Asset Value	\$565 million

* Cressy was connected to the Longford supply during the previous year and is now considered part of that supply system.

[#] Previously reported as 33. Very small facilities at Anson's Bay and Bell Buoy Beach have been added.

Highlights of the Year

Commissioning of Scamander Water Treatment Plant

Commenced commissioning of Campbell Town Water Treatment Plant

Approval of our first Price and Service Plan

Completion of the Queechy sewage pump station

Substantial completion of the Beaconsfield sewage effluent reuse scheme

Net Profit After Tax was \$6.960 million compared to the previous year of \$7.016 million



Chief Executive Officer's Report

I would like to thank all our employees for their hard work and dedication. Through our formative years our staff have made much progress in building a platform for a successful business and I have no doubt they will continue to participate positively no matter what the future brings.

Financial Results

Ben Lomond Water recorded an after tax profit of \$6.960 million compared with \$7.016 million in the previous year.

Ben Lomond Water's balance sheet highlights a strong financial position with net assets of \$495.930 million.

During the year Ben Lomond Water funded capital works to the value of \$30.721 million.

Customer Service

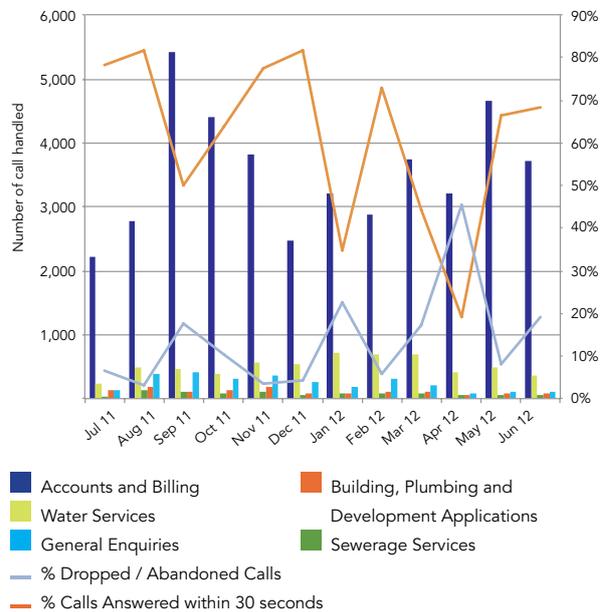
During the year we have had 988 (816 in 2010/11) unplanned interruptions to water supply systems with an average duration of 84 (91 in 2010/11) minutes.

We also experienced 84 (151 in 2010/11) sewage spills and 913 (936 in 2010/11) sewer blockages.

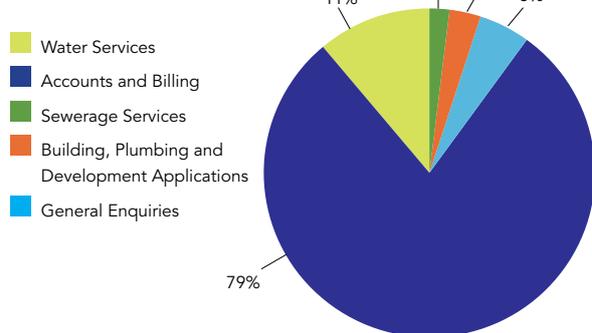
The customer contact centre handled approximately 54,000 calls from customers. This compares to 37,000 the previous year.

79 per cent of these calls related to account and billing enquiries.

Call Volume and % Abandoned Calls



Number of calls by type





Public Health and Environment

Ben Lomond Water operates 35 water supply schemes and 35 sewage treatment plants supplying a total of 59,700 properties.

Sixteen water schemes are subject to permanent boil water alerts. Temporary boil water alerts were applied to five 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 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:

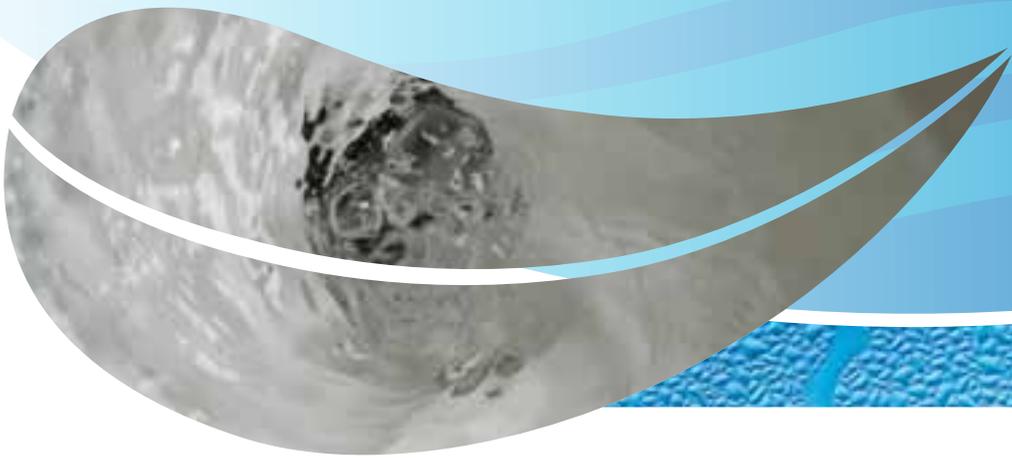
Scamander	Avoca
Conara	Campbell Town / Ross
Cressy	

This is an improvement on the previous year when Bracknell was also subjected to temporary boil water alerts. Cressy is also now provided with fully treated water. As noted later in this section the corporation is committing significant financial resources to upgrading water quality.

The Scamander Water Treatment Plant has been commissioned. However, the boil water alert remains in place until sufficient testing has been undertaken throughout the reticulation system to demonstrate consistent compliance. The treatment plant purchased before Ben Lomond Water commenced operation is not capable of treating very high turbidity water as occurs during heavy rainfall. Work is underway to determine the need for additional pre-treatment.

As at the end of July the Campbell Town Water Treatment Plant had almost completed its commissioning trials. Treated water was being supplied to Campbell Town and Ross. However, the boil water alerts remain in place until sufficient testing has been undertaken throughout the reticulation system to demonstrate consistent compliance.

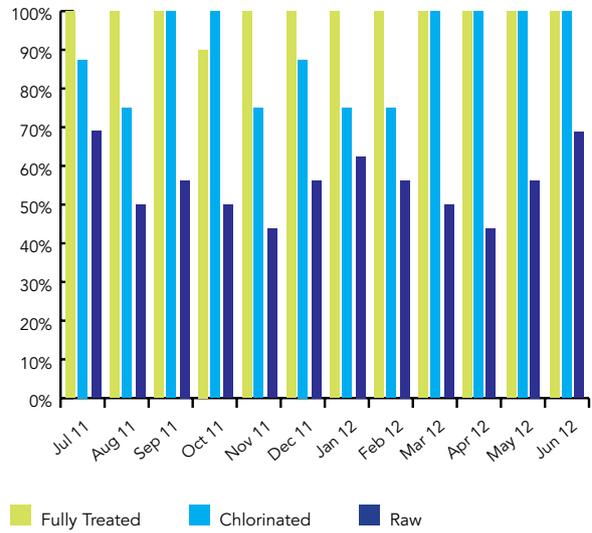
All other water schemes were compliant with the Australian Drinking Water Guidelines.



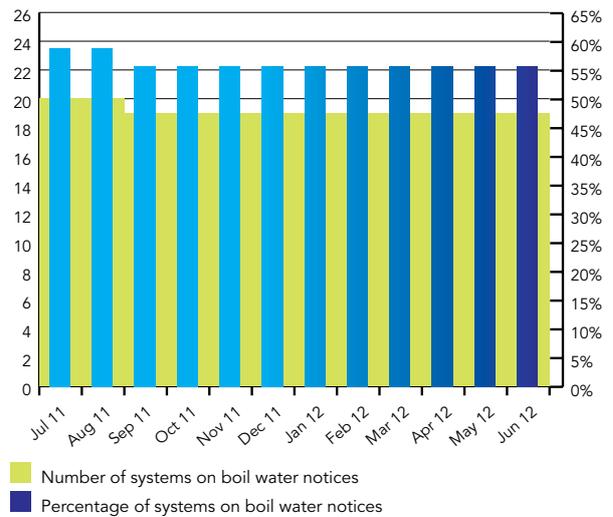
Chief Executive Officer's Report



Percentage of systems 98% free of *E.coli* over the past 12 months



Boil Water Alerts





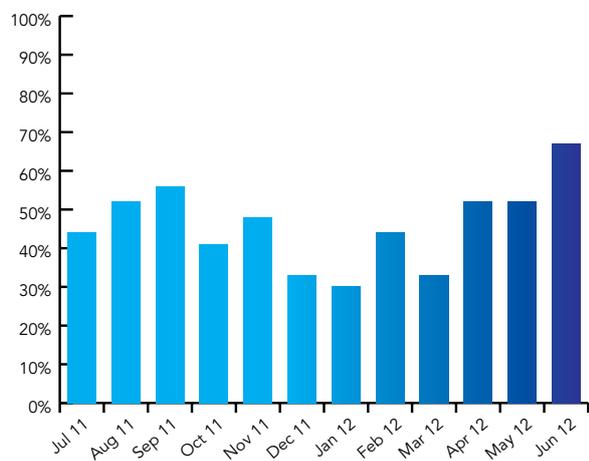
Non Financial Performance Criteria

Indicator	Unit	Target Service Standard 2019/20	Target Service Standard 2012/13	Performance 2011/12	Performance 2010/11
Unplanned Interruptions	No.	-	-	988	779
Unplanned Interruptions	No. per 100km of pipe	32	39	51	40.5
Average duration of unplanned outages	Minutes	100	180	84	91
Planned Interruptions	No.	-	-	13	43
Average duration of planned outages	Minutes	180	300	209	271
Customers experiencing an outage	No.	-	-	7,652	12,002
Response Time – High Priority	Minutes	30	60	64	51
Response Time – Medium Priority	Minutes	120	120	51	58
Response Time – Low Priority	Minutes	1,440	1,440	87	106



Chief Executive Officer's Report

The following graph shows the degree of compliance of our Sewage Treatment Plants. This highlights the challenge to bring our sewage treatment plants into full compliance.



The following table shows sewer blockages and response times for the year.

Indicator	Unit	Target Service Standard 2019/20	Target Service Standard 2012/13	2011/12	2010/11
Sewer Blockages	No.	-	-	913	936
Sewer Blockages	No. per 100km	60	28	62.1	63.7
Response Time – To arrive on site	Minutes	41	70	54.1	41.5
Response Time – To restore service	Minutes	150	240	135.1	151.4

The following table shows sewer spills throughout the year.

Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Wet Weather (>1 in 5 Yr rainfall event)	0	0	0	0	0	0	0	0	0	0	17	0	17
Wet Weather (≤1 in 5 Yr rainfall event)	7	12	1	1	16	1	0	1	0	0	1	3	43
Dry Weather	0	4	4	3	2	1	3	1	1	1	2	2	24
Total	7	16	5	4	18	2	3	2	1	1	20	6	84



Capital Works

Capital works undertaken during the year included: -

Campbell Town Water Treatment Plant

(Project Cost \$5.2 million)

This treatment plant will provide high quality treated water to both Campbell Town and Ross. Treated water is now being provided to the townships of Campbell Town and Ross, however a boil water alert remains in place until the Director of Public Health is satisfied with the plant's performance.

Small Towns Treated Water Project

(\$14.9 million)

The preparation of design and construct tender documents for treatment plants at Bracknell, Derby, Fingal and Mole Creek are almost complete.

Scamander Water Treatment Plant

(\$1.918 million)

The Scamander Water Treatment Plant has been commissioned.

Queechy Sewage Pumping Station and Pipeline

(\$4.7 million)

The pipeline and pump station has been commissioned.

Water Meter Project

(\$11.77 million)

This project involves the replacement of ageing water meters and the installation of meters on currently unmetered connections. Approximately 56,000 meters fitted with electronic meter interface units (MIU) to record consumption data and to allow remote reading will be installed. The total number of old meters that have been replaced for the financial year is 51,064 and the number of new meters that have been installed is 1,695. The remaining meters which include large diameter meters will be either replaced or retrofitted with a MIU next financial year.

\$2.5 million of the cost of this project has been provided by the Australian Government.

Reservoir Roofing and Remedial Works Program

(\$1.652 million)

Vos Constructions has completed the reservoir roofing at Scamander, Conara, Ross, Avoca, Scottsdale and Bridport.

Lilydale Water Pipeline

(\$7.25 million)

This project involves the construction of a 26 kilometre pipeline to convey treated water to Lilydale from the East Tamar trunk main at Mount Direction. The project includes a booster pump station at Lalla and a 1 megalitre reservoir near Lilydale. Planning issues are still being resolved. Tenders have been received for three contracts to implement this project.

Westbury Water Treatment Project

(\$6.66 million)

A design and construct tender for a DAFF treatment plant has been accepted for the lump sum of \$5.48 million.

The plant is due for completion in July 2013. A separate contractor is progressing well with the construction of the 5.5 megalitre treated water storage reservoir at this site.

Design work has been completed on a separate project to construct a water main to deliver treated water from the Westbury Water Treatment Plant to customers at Exton.

Sewage Pump Station Projects

(\$5.7 million)

The work completed this financial year is part of an extended project to upgrade sewage pumping stations (SPS) on a priority basis to reduce the risk of overflows and to address safety issues. Upgraded sewage pumping stations at King Street, Campbell Town, Cressy High School, Jason Street and Kirwans Beach St Helens and Yorkshire Court Prospect have been completed. Work is nearing completion at the Old Bridge Road SPS at Perth. Commissioning is under way at Cook Street, Hadspen, Franklin Street Campbell Town and Percy Street Fingal. Construction has commenced at sewage pumping station upgrades at Conara, Low Head and Scamander.



Chief Executive Officer's Report

Beaconsfield Sewage Treatment Plant – Effluent Disposal

(\$2.56 million)

The construction of a 96 megalitres effluent storage dam, ripping, mounding, irrigation system pipelines, pump stations and site fencing has been completed. Tree planting will be completed in spring. The transfer of treated effluent into the dam is imminent.

Deloraine Sewage Treatment Plant

(\$3.89 million)

Site works are well underway on the bulk earthworks for stage 1 of the upgrading of this sewage treatment plant. This work will include the construction of an earth platform to above flood level, a flow balancing storage chamber and two sludge drying lagoons.

Flow Meters and Inlet Screens at Sewage Treatment Plants

(\$0.79 million)

Flow meters have now been installed for Perth (outflow), Fingal (inflow), St Marys (inflow), Western Junction and Scamander (inflow) sewage treatment plants.

Mechanical screens at the inlet to Longford, Perth and Beaconsfield sewage treatment plants are being commissioned.

SCADA

(\$2.4 million)

The BLW SCADA project will provide a single integrated system monitoring BLW assets to help increase operational efficiency and aid in asset management. The reach of the system includes the ex-LCC, ex-Esk Water, ex-West Tamar and ex-Dorset SCADA systems, St Helens, North Midlands, Ansons Bay and George Town areas. These SCADA systems are being centrally monitored from Launceston. This has provided significant advantages in alarm management and also fault identification.

Regional Facilities Development

(\$2.19 million)

Building work at the St Marys Depot is continuing and work has now commenced on the Longford Depot. Work is also underway to investigate options for a depot at Scottsdale.

Development Applications

During the year we received 444 (484 in 2010/11) development applications which resulted in 362 certificates being issued.

We received 195 building / plumbing applications (271 in 2010/11) resulting in 141 certificates.

The difference in enquiries and certificates issued is generally that the application did not proceed or was withdrawn.

We also processed 2,896 Section 56ZQ certificates (3,401 in 2010/11) relating to property transfers where water and/or sewage services exist.

Our People

As at 30 June 2012 employee numbers totalled 187 (2011-193) with a full time equivalent total 184.7 (2011-184.4)

This total includes temporary/casual employees currently total 13.6 with a further 11 employees hired through temporary agencies. These are largely engaged on the meter installation project and customer service / debt recovery.

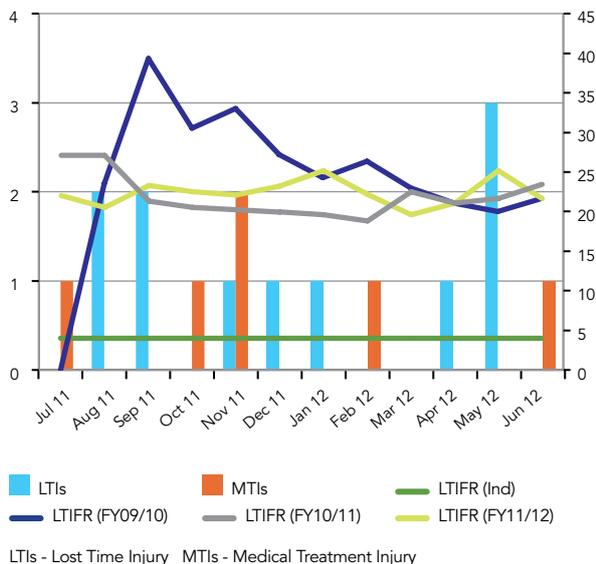
Training and Development

Significant investment in training has continued and the focus of operator training has resulted in 8 employees completing their Certificate III in Water Operations through the Victorian Water Industry Training Centre.



12 Month Lost Time and Medical Treatment Injuries

BLW 12 month lost time and medical treatment injuries and LTIFR vs National Industry Benchmark



Complaints to the Ombudsman and Legislative Disclosures

During the year we had 40 complaints escalated to the Ombudsman. The majority of these complaints related to billing and tariff issues. All complaints have been resolved with the Ombudsman.

A response was provided to one request for an assessed disclosure received under the *Right to Information Act 2009 (Tas)*. Ben Lomond water was subject to no disclosure requests under the *Public Interest Disclosures Act 2002 (Tas)*.

The Future

The Price and Service Plan for the three years commencing 1 July 2012 was approved by the Economic Regulator in June 2012.

Greater Launceston is currently serviced by seven sewage treatment plants, all of which require upgrading. We have commenced work on developing a Greater Launceston Sewerage Strategy. Some consultation has already taken place with owner Councils and a public engagement process will be undertaken over the first half of 2012/13 before a final decision is made.

The Beaconsfield Sewage Effluent Reuse Scheme will be commissioned in the first half of 2012/13 and we expect this to be a model for future reuse applications.

The water treatment plant at Campbell Town, which also services Ross will be fully commissioned shortly. A contract has been let for a new treatment plant at Westbury that will also serve Hagley and Exton. Contracts are expected to be let for treatment plants at Bracknell, Fingal, Derby / Branxholm and Mole Creek and a pipeline to service Lilydale during 2012/13. These projects will substantially complete our water quality improvement program.

Mr Barry Cash
CEO





Corporate Governance

Formal Governance Arrangements

Enabled under the *Water and Sewerage Corporations Act 2008 (Tas) (WSCA)* and incorporated under the *Corporations Act 2001 (Cth)*, the Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd trades as Ben Lomond Water.

We are owned in equal shares by the eight local government councils in the Northern Region.

The WSCA prescribes the objectives of the Corporation as:

1. a. in its region, to promote the efficient delivery of water supply and provision of sewerage services;
- b. in its region, to encourage water conservation, demand management of water and the re-use of water on an economic and commercial basis;
- c. to be a successful business and, to this end –
 - (i) to operate its activities in accordance with good commercial practice; and
 - (ii) to maximise sustainable returns to its members.

Under the Act, each of the principal objectives is of equal importance. The Act specifies that certain services must be obtained through the Common Services Corporation, which is owned in equal shares by Ben Lomond Water and the other two Regional Corporations.

The WSCA also mandates other specific governance features, including the composition of the Board; rights and responsibilities of our owner councils; and the sections of the *Corporations Act* that do not apply to us. In most other ways, the Board's powers, obligations, rights and responsibilities are similar to those of other privately-owned, large proprietary limited companies.

Another important document for both our owner councils and the Corporation is the Shareholders' Letter of Expectations (SLE). The SLE provides guidance from our owners to the Board on a range of matters.

The Corporation is presently subject to three Treasurer's Instructions. These relate to the minimum content of our Corporate Plan, and our obligations to pay both Income Tax Equivalents and Guarantee Fees.

In developing our corporate governance framework we have sought to align with the ASX's Corporate Governance Principles and Recommendations (ASX Principles). In some areas however legislation, context, ownership and structure preclude us from complying with some ASX Principles. Nonetheless where this occurs, we have sought to recognise the intent of the ASX Principles in our policies and practices.





Board of Directors



Board of Directors
Back Row - L-R: Barry Cash (CEO), Liz Swain, Brian Bayley, Dr Dan Norton.
Front Row - L-R: Sarah Merridew, Jane Bennett, Miles Hampton.

Board Role and Structure

Under our Constitution, the Board's role is to manage the business of the Corporation in all matters, unless they are the specific responsibility of owner councils. The Board has determined which matters it will manage exclusively, with the remainder delegated to the CEO.

The WSCA prescribes the composition of the Boards of all four Tasmanian Water and Sewerage Corporations. This is significant to Ben Lomond Water as some directors are common to the other Corporations. All directors of the Regional Corporations are non-executive and independent in terms of the external relationships with the Corporations.



Board of Directors

Directors' Background, Terms and Meeting Attendances Structure

Below outlines the respective terms, qualifications and experience of our Directors and the Table on page 20 shows Directors' attendance at meetings.

Directors' biographies

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

Appointed Director 26 November 2008

Appointed Chairman 1 January 2011

Miles was appointed as an inaugural director of Ben Lomond Water, Cradle Mountain Water and Southern Water in November 2008. He was appointed to the Onstream Board in August 2009. Miles was appointed Chair of the four Tasmanian Water and Sewerage Corporations from 1 January 2011.

Miles was Managing Director of ASX listed agribusiness Roberts Limited for 20 years. He is currently a director of MyState Limited, Australian Pharmaceutical Industries Ltd, Forestry Tasmania and the Van Diemen's Land Company. 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.

As Tasmanian Water and Sewerage Corporations Chairman, Miles is also a Commissioner of the Tasmanian Planning Commission and a member of the Tasmanian Infrastructure Advisory Council.

Brian Bayley Dip.Civ.Eng

Appointed Director 26 November 2008

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 Corporations.

Brian is a director of Cradle Mountain Water and Southern Water. He is also Chair of all the Safety and Health, Environment and Public Health (SHEP) Committees for all regional corporations.

Jane Bennett

Appointed as a Director 2 May 2011

Jane was 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 and the 2010 Telstra Business Woman of the Year.

Jane has been a director of Onstream since August 2009. She is also a Director of Tasmanian Ports Corporation and the ABC.



Sarah Merridew B.Ec, FCA, FAICD

Appointed as a Director 26 November 2008

Sarah is a Chartered Accountant and a Director of MyState Limited, MyState Financial Limited, Rock Building Society Limited, Tasmanian Perpetual Trustees, Tasmanian Railway Pty Ltd and is Honorary Treasurer of the Royal Flying Doctor Service (Tasmanian Section) Inc. and actively involved with other community organisations.

Sarah was formerly a director of Tasmanian Public Finance Corporation, Tasmanian Perpetual Trustees and a partner of Deloitte Touche Tohmatsu, including a period as Managing Partner for Tasmania.

Sarah is a director of Cradle Mountain Water, Southern Water and Onstream and is the Chairman of the four Tasmanian Water and Sewerage Corporations' Audit and Risk Committees.

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

Appointed as a Director 26 November 2008

Dan is currently Chairman, Tasmanian Ports Corporation Pty Ltd; Chairman, Menzies Research Institute Tasmania; 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). Dan is also a director of Cradle Mountain Water and Southern Water.

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

Appointed as a Director 26 November 2008

Liz Swain was until recently 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. Her most recent role was technical and services superintendent.

Liz is the former chair of Esk Water and was a director on Esk Water's Board for ten 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 she is a former Tasmanian Business Woman of the Year.

Board of Directors

Meeting Attendances 2011/12

	Board Meetings (13 held)		AAR Committee (5 held)		SHEP Committee (4 held)	
	Attended	Eligible	Attended	Eligible	Attended	Eligible
Miles Hampton	13	13	5	5		
Brian Bayley	13	13			4	4
Jane Bennett	13	13			4	4
Sarah Merridew	12	13	4	5		
Dan Norton	13	13	5	5		
Liz Swain	13	13	5	5	4	4





Board Committees

The Board has two permanent committees. Reports from the Committee Chairs are below.

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assist the Board to fulfil its responsibilities to our owners in relation to:

- overseeing the integrity of the Corporation's financial accounting and reporting practices,
- monitoring that the Corporation adopts appropriate risk management strategies, and
- monitoring compliance with all legal and statutory obligations.

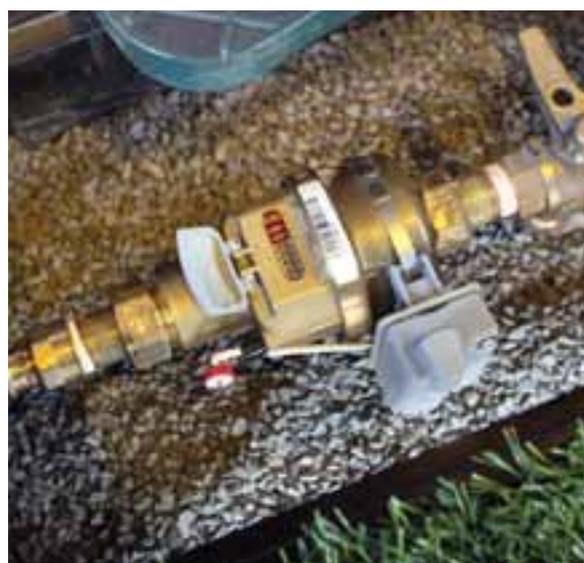
In particular, the Committee reports to the Board and provides advice and recommendations in order to facilitate its decision-making in the following areas:

- ensuring the quality and accuracy of published financial reports so they present a true and fair view of the Corporation's financial position,
- ensuring the Corporation adopts, maintains and applies appropriate accounting policies and procedures,
- ensuring the Corporation establishes and maintains effective internal control systems,
- overseeing and appraising the external audit function,
- directing the internal audit function,
- ensuring the Corporation maintains effective risk management systems, and
- ensuring the Corporation maintains an effective compliance program.

Safety and Health, Environment and Public Health Committee

The Safety and Health, Environment and Public Health Committee's (SHEP) purpose is to assist the Board fulfil its responsibility to:

- establish and maintain high workplace safety standards, and
- comply with the Corporation's water quality, public health and environmental obligations.





Directors' Report

The Directors of Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd, trading as Ben Lomond Water, present the financial report of the Corporation for the financial year ended 30 June 2012. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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 the northern region of Tasmania; and
- undertaking maintenance, upgrading and development works on water and sewerage assets, and preparing strategic asset development plans for the future.

Review of Operations

During the financial year, approximately 59,700 properties were provided with services, involving the provision of water and removal of sewage.

The Corporation reported a profit after tax of \$6,960,000 for the year ended 30 June 2012 (2010-11: \$7,016,000).

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 apart from the failure of the Corporation's sewage treatment plants to regularly comply with effluent discharge licences set by the Environmental Regulator. The Corporation has prepared a Sewage Management Plan in consultation with the Environmental Regulator outlining initiatives and implementation schedules to address the Environmental Regulator's priorities.

Dam Portfolio

The Corporation is currently developing a Dam Portfolio Risk Assessment process in accordance with timelines prescribed by the Regulator. The Corporation does not have any dams in the top three consequence categories. The majority of dams are compliant with the Australian National Council on Large Dams (ANCOLD) Dam Safety Management Guidelines 2003. The Corporation has submitted an annual Dam Safety Management Plan to the Regulator including the status of all dams with a rating of significant hazard or above, and the Corporation has an obligation to immediately advise the Regulator of adverse developments in dam status.

Dividends

On 3 February 2012 the Board of Ben Lomond Water approved the payment of a \$780,000 (2010-11: \$979,000) interim dividend from 2011-12 estimated profits. This dividend was paid on 2 March 2012.

On 10 August 2012 the Board approved the payment of a final dividend of \$468,620 (2010-11: \$1,786,000), making a total dividend of \$1,248,620 (2010-11: \$2,765,000) for the 2011-12 financial year. In accordance with accounting standards the final dividend was not recognised in the financial statements at 30 June 2012.

Subsequent Events

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





Directors' Report

Likely Future Developments

The Corporation may be impacted by the following future developments:

In June 2012 members of the Local Government Association of Tasmania prepared a recommendation to the Treasurer of Tasmania to merge the three water corporations (Ben Lomond Water, Cradle Mountain Water and Southern Water) and the management services provider Onstream. To effect this recommendation the Treasurer will need to sponsor a change to the existing legislation.

The introduction by the Commonwealth Government of the carbon scheme on 1 July 2012 will impact the future financial results of the Corporation. At the date of this report the Directors are unable to determine whether this impact will have a material effect on the Corporation.

Remuneration of Directors and Senior Management

Remuneration Report

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Corporation's directors and its senior executives for the financial year ended 30 June 2012. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior executive details
- remuneration policy
- relationship between the remuneration policy and the company performance
- remuneration of Directors and senior executives
- key terms of employment contracts.





Director and Senior Executive details

The following persons acted as directors of the company during or since the end of the financial year:

- Mr Miles Hampton
- Mr Brian Bayley
- Ms Jane Bennett
- Ms Sarah Merridew
- Dr Dan Norton
- Ms Liz Swain

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

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

- Mr Barry Cash (Chief Executive Officer)
- Mr Greg Boon (Executive Manager Human Resources)
- Mr Paul Donohue (Executive Manager Assets)
- Mr David Gregory (Executive Manager Corporate Services)
- Mr Glen Rowlands (Executive Manager Service Delivery)
- Mr Eamonn Tiernan (Executive Manager Business Performance)

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

Note: CEO Barry Cash retired effective 26 August 2012. He was replaced in an acting capacity by Andrew Beswick.

Remuneration Policy

Senior executives' remuneration

The Board has approved a remuneration framework developed in conjunction with independent remuneration specialists, Mercer, and benchmarked nationally. The framework applies to senior executives, line managers and specific professional or expert positions and the CEO is obliged to work within its parameters.

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

An 'at risk' element, in addition to Total Employment Cost, has been introduced for senior executives with a maximum possible amount determined by the Board. The performance of the senior executives is measured against criteria agreed annually in advance.

Non-executive Directors' remuneration

Under the *Water and Sewerage Corporations Act 2008* (WSCA), the state wide Owners' Representative Group (ORG) is responsible for determining the remuneration and allowances for Non-Executive Directors. The ORG is appointed by the owners of the Regional Corporations and consists of three people from each region appointed by special majority. The ORG makes its determination of remuneration based on the recommendation of the Selection Committee, as described in WSCA.



Directors' Report

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

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

Independent Directors' remuneration is increased annually by CPI provided that an independent review is not requested by the Selection Committee, ORG or the Board as a whole.

Relationship between the Remuneration Policy and the Company Performance

The Corporation's remuneration policy has been designed to align the objectives of senior executives with business objectives by providing both a fixed remuneration component and a performance based component.

The CEO and all senior executives are appointed under employment contracts. Senior executive performance based payments are based on performance objectives set at both an overriding corporate level and specific divisional levels. Performance objectives are established and assessed annually. The CEO's performance against objectives is reviewed by the Board at least annually. For other senior executives the CEO reports to the Board at least annually on performance and recommends any subsequent performance based payment. The review and any payments are finalised upon completion of the audited financial statements.

Whilst all incentives are linked to pre-determined performance criteria, the Board has ultimate discretion in approving payment of these.





Remuneration of Directors and Senior Executives

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

	2012 Financial Year			2011 Financial Year		
	Short-term benefits	Post-employment benefits		Short-term benefits	Post-employment benefits	
	Fees	Super-annuation	Total	Fees	Super-annuation	Total
Non-Executive Directors	\$	\$	\$	\$	\$	\$
Mr Miles Hampton (Chair)	36,348	3,271	39,619	26,616	2,395	29,011
Mr Brian Bayley	21,665	1,950	23,615	17,326	1,559	18,885
Ms Jane Bennett	24,805	2,310	27,115	4,893	440	5,333
Ms Sarah Merridew	20,252	1,823	22,075	27,982	2,518	30,500
Dr Dan Norton	21,909	1,972	23,881	20,261	1,823	22,084
Ms Liz Swain	33,580	3,022	36,602	29,039	2,614	31,653
Mr Geoff Willis (retired 31/12/10)	-	-	-	18,063	1,626	19,689
Total	158,559	14,348	172,907	144,180	12,975	157,155



Directors' Report

The following table discloses the remuneration details in bands, for each person that acted as a senior executive of the Corporation during or since the end of the financial year:

Senior Executive Remuneration	2012 Financial Year		2011 Financial Year	
	Base	Total	Base	Total
\$50,000 - \$59,999	-	-	1	-
\$60,000 - \$69,999	-	-	-	1
\$100,000 - \$109,999	-	-	1	-
\$110,000 - \$119,999	1	-	1	-
\$120,000 - \$129,999	3	-	2	-
\$130,000 - \$139,999	1	1	1	2
\$140,000 - \$149,999	-	3	-	2
\$150,000 - \$159,999	-	1	-	1
\$200,000 - \$209,999	-	-	1	-
\$210,000 - \$219,999	1	-	-	-
\$240,000 - \$249,999	-	1	-	1
Total	6	6	7	7

- Base remuneration represents gross salary and non-monetary remuneration benefits.
 - Total remuneration includes base salary, superannuation and where applicable bonuses and/or termination benefits.
 The 'at risk' component is limited to 10% of the TEC for senior executives and 15% of the TEC for the CEO.



Key Terms of Employment Contracts

Senior executive staff

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

Consistent with legislated requirements, senior executives receive a superannuation guarantee contribution, which is currently 9%, or alternatively, where they are members of a defined benefits fund, accrue superannuation benefits in accordance with the rules of the fund. Senior executives do not receive any other retirement benefits. However, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation. Upon retirement, senior executives are paid employee benefit entitlements accrued to the date of retirement.

Terms of employment require the senior executive or the Corporation to provide a minimum notice period prior to termination of contract, subject to conditions of the *Fair Work Act (2009)*, where applicable. The length of notice varies between Individual Employment Agreements, however is generally 3-6 months.

Under certain circumstances senior executives may be paid a redundancy, the level of which is dependent on individual contractual arrangements and length of contract served. Termination payments are not payable on resignation or under circumstances of unsatisfactory performance.

Non-executive Directors

Appointment conditions for independent Directors are specified in both WSCA and formal letters of appointment. These include:

- maximum 3 year term;
- either the independent director, the Corporation or the ORG may terminate the relationship on 3 months' notice or immediately in certain situations;
- the Corporation is to ensure that it has appropriate directors' and officers' liability insurance.

Further Information about the remuneration of Directors and senior executives is set out in Note 17 to the Financial Statements.





Directors' Report



Senior Executive

Back Row - L-R: Barry Cash - Chief Executive Officer, David Gregory - Executive Manager Corporate Services, Greg Boon - Executive Manager Human Resources

Front Row - L-R: Paul Donohue - Executive Manager Assets, Glen Rowlands - Executive Manager Service Delivery, Eamonn Tieman - Executive Manager Business Performance

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 35.

Rounding 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 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

Miles Hampton
Chair

10 August 2012

Sarah Merridew
Director





Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

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10 August 2012

The Board of Directors
Tasmanian Water and Sewerage Corporation
(Northern Region) Pty Ltd
36-42 Charles Street
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 of Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd for the financial year ended 30 June 2012, 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

Directors' Declaration

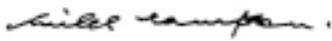
For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

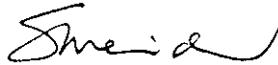
The Directors declare that:

- 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);
- d) In the Directors' opinion, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and
- e) The Directors have been given the declarations as set out in Section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.

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



Miles Hampton
Chair



Sarah Merridew
Director

10 August 2012



Tasmanian Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Members of Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd

Financial Report for the Year Ended 30 June 2012

Report on the Financial Report

I have audited the accompanying financial report of Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2012 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Auditor's Opinion

In my opinion:

- (a) the Company's financial report is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 30 June 2012 and its financial performance for the year ended on that date, and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.1.

Report on the Remuneration Report

I have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report. My responsibility is to express an opinion on the Remuneration Report, based on my audit which has been conducted in accordance with Australian Auditing Standards.

Opinion

In my opinion, the Company's Remuneration Report presents fairly, in all material respects, the remuneration of key management personnel of the Company for the year ended 30 June 2012.

The Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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 3.1, the directors also

...1 of 2

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state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report 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 report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the directors' preparation and fair presentation of the financial report 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 report.

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 date as this audit opinion and is included in the Directors' report.

TASMANIAN AUDIT OFFICE



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

HOBART
10 August 2012

...2 of 2

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Statement of Comprehensive Income

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Continuing Operations			
Sales Revenue	4	58,950	57,814
Other Income from Operating Activities	4	7,569	2,483
Share of Net Profit of Associate - Equity Method	22	13	41
Raw Materials and Consumables	5	(4,463)	(4,450)
Depreciation and Amortisation Expenses	5	(14,629)	(13,201)
Employee and Related Expenses	5	(15,409)	(14,003)
Operations and Maintenance Expenses	5	(13,461)	(11,518)
Administration Expenses	5	(6,243)	(5,640)
Net Profit before Net Financing Costs		12,327	11,526
Financing Income	4	45	61
Financing Expenses	5	(2,429)	(1,586)
Net Financing Costs		(2,384)	(1,525)
Net Profit before Income Tax Equivalents Expense		9,943	10,001
Income Tax Equivalents Expense	6.1	(2,983)	(2,985)
Net Profit after Income Tax Equivalents Expense	12.1	6,960	7,016
Other Comprehensive Income			
Actuarial Gain (Loss) on Defined Benefit Plans	13	(2,019)	533
Share of Other Comprehensive Income (Loss) of Associates	22	(48)	(18)
Income Tax Relating to Components of Other Comprehensive Income	6.2	606	(160)
Total Comprehensive Income for the Period		5,499	7,371

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

Statement of Financial Position

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Current Assets			
Cash and Cash Equivalents	8.1	1,032	1,755
Receivables	8.2	23,063	19,893
Inventories	8.3	1,247	1,228
Prepayments		33	21
Total Current Assets		25,375	22,897
Non-current Assets			
Property, Plant and Equipment	9	533,112	510,358
Intangibles	10	812	430
Deferred Tax Assets	6.4	6,378	5,393
Investment in Associate	22	2	37
Total Non-current Assets		540,304	516,218
Total Assets		565,679	539,115
Current Liabilities			
Borrowings	11.1	6,729	6,874
Employee Benefits	11.2	3,741	3,566
Payables	11.3	7,275	3,959
Unearned Income	11.4	223	44
Current Tax Liability	6.3	1,339	816
Total Current Liabilities		19,307	15,259
Non-current Liabilities			
Borrowings	11.1	26,780	11,807
Employee Benefits	11.2	6,188	3,932
Unearned Income	11.4	3,817	1,539
Deferred Tax Liabilities	6.4	13,657	13,581
Total Non-current Liabilities		50,442	30,859
Total Liabilities		69,749	46,118
Net Assets		495,930	492,997
Equity			
Retained Profits	12.1	11,827	8,894
Contributed Equity	12.2	484,103	484,103
Total Equity		495,930	492,997

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 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Cash Flows from Operating Activities			
Receipts from Customers		55,499	48,645
Receipts from other Sources		1,362	5,686
Payments to Suppliers and Employees		(43,720)	(41,406)
GST Net Received		6,503	4,227
Interest Received		45	66
Interest Paid		(1,448)	(927)
Guarantee Fees Paid to Councils		(171)	(106)
Income Tax Equivalents Paid	6.3	(2,763)	(2,955)
Net Cash from Operating Activities	19.1	<u>15,307</u>	<u>13,230</u>
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(28,989)	(16,684)
Payments for Capitalised Employee and Direct Costs	5	(1,732)	(1,244)
Proceeds from Sale of Property, Plant and Equipment		379	314
Net Cash used in Investing Activities		<u>(30,342)</u>	<u>(17,614)</u>
Cash Flows from Financing Activities			
Proceeds from Borrowings		66,371	33,932
Repayment of Borrowings		(51,543)	(32,285)
Dividends Paid	12.1	(2,566)	(1,988)
Grant Funds		2,050	-
Net Cash from Financing Activities		<u>14,312</u>	<u>(341)</u>
Net Decrease in Cash and Cash Equivalents		(723)	(4,725)
Cash and Cash Equivalents at the Beginning of the Year		<u>1,755</u>	<u>6,480</u>
Cash and Cash Equivalents at the End of the Year	19.2	<u><u>1,032</u></u>	<u><u>1,755</u></u>

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 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	Notes	Retained Profits \$'000	Contributed Equity \$'000	Total Equity \$'000
Balance as at 1 July 2010		3,511	484,103	487,614
Dividends Paid	12.1	(1,988)	-	(1,988)
Net Profit After Income Tax Equivalents Expense	12.1	7,016	-	7,016
Other Comprehensive Income		355	-	355
Balance as at 30 June 2011		<u>8,894</u>	<u>484,103</u>	<u>492,997</u>
Dividends Paid	12.1	(2,566)	-	(2,566)
Net Profit After Income Tax Equivalents Expense	12.1	6,960	-	6,960
Other Comprehensive Income		(1,461)	-	(1,461)
Balance as at 30 June 2012		<u>11,827</u>	<u>484,103</u>	<u>495,930</u>

The above statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

1 General Information

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd (the Corporation), trading as Ben Lomond Water, is a propriety limited company incorporated in Australia. The address of the Corporation's registered office is 36-42 Charles Street, Launceston Tasmania.

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

2 Application of New and Revised Accounting Standards

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

2.2 New and Revised Standards and Interpretations which have had no effect on financial statements

The following new and revised Standards and Interpretations, that have become effective for the current reporting period, have not had any significant impact on the amounts reported in this financial report.

Standard/Interpretation	Affected Standards
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1,7,101,134]
AASB 124	Related Party changes to definitions and certain related party disclosures for government related entities
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets
AASB 1054 'Australian Additional Disclosures'	Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 132,137 and 139]

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

2 Application of New and Revised Accounting Standards (continued)

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 2010-10 'Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First Time Adopters'	1 January 2013	30 June 2014
AASB 2011-4 'Further amendments to Australian Accounting Standards to remove individual personnel disclosure requirements'	1 July 2013	30 June 2014
AASB 13 'Fair Value Measurement'	1 January 2013	30 June 2014
AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards –Presentation of other items of other Comprehensive Income'	1 July 2012	30 June 2013
AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB119 (September 2011)	1 January 2013	30 June 2014
AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	1 January 2013	30 June 2014

The adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective are not expected to materially impact the Corporation's accounting policies. The Corporation does not intend to adopt any of these pronouncements before their effective dates.

3 Summary of Significant Accounting Policies

3.1 Statement of Compliance

This financial report is a general-purpose financial report, prepared in accordance with the *Corporations Act 2001 (Cth)*, relevant Australian Accounting Standards of the Australian Accounting Standards Board (AASB) and other laws where applicable. 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 2012.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

3 Summary of Significant Accounting Policies (continued)

3.2 Basis of Preparation

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

The Corporation is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars (\$'000), unless otherwise stated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

3.3 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 and 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 3.10, 3.14 and 9.

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 3.15 and 13.

3.4 Revenue Recognition

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

Sale of Water

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

Sewerage Income

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

Interest Income

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

Sale of Non-Current Assets

The net gain (loss) on non-current asset sales are recognised in the Statement of Comprehensive Income at the date the control of the asset passes to the buyer, usually at the point an unconditional written contract is signed and the significant risks and rewards of ownership have been transferred to the buyer. 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

3 Summary of Significant Accounting Policies (continued)

3.4 Revenue Recognition (continued)

Government Funded Price Cap - Subsidy Payments

As part of the 2011-12 State budget the Government announced changes to the existing funding arrangements with respect to revenue forgone. Under the new arrangements, the Corporation will receive funding in 2011-12 and 2012-13. Any such compensation payments are recorded as sales revenue on an accrual basis.

Government Funded Concessions

The Corporation has an agreement with the Crown in right of the State of Tasmania to provide community services in the form of a concession and for the Corporation to be reimbursed for the community services costs and administration costs. Any such reimbursements are recorded as sales 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.

3.5 Goods and Services Tax

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

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

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

3.6 Taxation

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

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

Income tax equivalent payments are distributed to Owner Councils in accordance with the 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 6).

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

3 Summary of Significant Accounting Policies (continued)

3.7 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 amortised cost.

3.8 Inventories

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

3.9 Receivables

Trade receivables are recognised at their amortised cost less an allowance for impairment losses (refer Note 3.14). Debts are written off when collection is no longer probable. Trade receivables comprise residential, commercial, 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 3.4.

3.10 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, applicable borrowing and financing expenses (refer Note 3.17) and the cost of direct labour on the project. Internal labour and other related costs may also form part of the project cost.

(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 including applicable borrowing and financing expenses (refer Note 3.17). 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. At the end of each reporting period, the Corporation reviews the carrying amounts of the assets held within the asset class (refer Note 3.14).

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

(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 life of property other than land, plant and equipment is reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

3 Summary of Significant Accounting Policies (continued)

3.10 Property, Plant and Equipment (continued)

The assessed 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
Leasehold Improvements:	2 – 10 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 Statement of Comprehensive Income as an expense as incurred.

3.11 Leased Property, Plant and Equipment

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

3.12 Intangible Assets

(a) Acquired Separately

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

(b) Internally-generated

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

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

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

(c) Amortisation

Amortisation of intangible assets is calculated on an individually assessed economic life using the straight-line method of amortisation, so as to write off the net cost (or previously revalued amounts) of each asset over its expected useful life. The estimated useful life of computer software is between 2 and 10 years.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

3 Summary of Significant Accounting Policies (continued)

3.13 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 and losses of an associate is recognised in its Statement of Comprehensive Income, with an equivalent adjustment to the carrying value of the investment. The Corporation's share of movements in an associate's equity that has not been recognised in the associate's Statement of Comprehensive Income is recognised directly in equity.

3.14 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.

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 Statement of Comprehensive Income, 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 the Statement of Comprehensive Income.

(a) Calculation of Recoverable Amount

Impairment of receivables is calculated as a percentage of overdue receivables balances at year end after taking into account specific customer segments with reference to past default experience. The actual percentage applied depends on the age of the debt.

In undertaking the impairment testing of its infrastructure and intangible 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.

3.15 Employee Entitlements

(a) Wages, Salaries, Annual Leave, Accrued Days Off and Time in Lieu

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

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

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

Regardless of the expected timing of settlements, liabilities in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non current liability.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

3 Summary of Significant Accounting Policies (continued)

3.15 Employee Entitlements (continued)

(b) Long Service Leave (LSL)

Current Liability - unconditional LSL (representing 10 or more years of continuous service) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- Present value - component that the Corporation does not expect to settle within 12 months; and
- Nominal value - component that the Corporation expects to settle within 12 months.

Non-current Liability - conditional LSL (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

In calculating present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The present value calculation also takes account of employees with 7 years of continuous service as they are entitled to a pro-rata allowance equivalent to their LSL entitlement upon termination – some other conditions also apply. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

A liability for LSL 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 ten 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 and the Quadrant Defined Benefits Scheme (for former employees of the Launceston City Council). The provision is fully provided for by the Corporation (refer Note 13).

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 Benefits Scheme is based on an 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 through Other Comprehensive Income.

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 Actuarial Pty Ltd, is unable to allocate benefit liabilities, assets and costs between employees. As provided under paragraph 32 (b) of AASB119, the Corporation does not use defined benefit accounting for these contributions.

The Corporation also 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

3 Summary of Significant Accounting Policies (continued)

3.16 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.

3.17 Borrowing and Financing Expenses

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

Included in Borrowing and Financing Expenses is the Government Guarantee Fee (GGF) which is administered by the Department of Treasury and Finance. The purpose of the GGF is to neutralise the competitive advantage of the Corporation having access to funding through the Tasmanian Public Finance Corporation (Tascorp). The GGF is payable to owner Councils.

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

3.18 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 unsecured and are usually settled with 30 days of recognition.

3.19 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(a) Rehabilitation and Restoration

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

3.20 Dividends Payable

Dividends payable are recognised when approved by the Board of the Corporation (refer Note 7). In accordance with accounting standards final dividends are not recognised in the financial statements unless they are declared prior to the balance date.

3.21 Financial Instruments

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

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

3 Summary of Significant Accounting Policies (continued)

3.21.1 Financial Assets

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

Effective interest method

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

Loans and receivables

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

Impairment of financial assets

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

3.21.2 Financial Liabilities

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

Other financial liabilities

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

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

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

3.22 Comparisons with Previous Year

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

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
4. Revenue		
Sales Revenue:		
Water - Service Charge	20,402	17,793
Sewerage - Service Charge	23,854	21,499
Water - Usage Charges	9,222	9,933
Sewerage - Usage Charge	1,489	1,499
Irrigation Income	57	42
State Government Funded Price Cap Subsidy (Note 3.4)	1,306	4,392
State Government Funded Concessions	1,930	1,712
Other Fees and Charges	690	944
Total Sales Revenue	58,950	57,814
Other Income from Operating Activities:		
Contributed Assets and Developer Charges	7,204	2,307
Government Grants	44	44
Profit on Disposal of Property, Plant and Equipment	-	23
Other	321	110
Total Other Income from Operating Activities	7,569	2,483
Financing Income:		
Interest Earned - Deposits and Investments	45	61
Total Financing Income	45	61
Total Revenue	66,564	60,358
5. Expenses		
Raw Material and Consumables:		
Power Costs	2,896	2,704
Water Commission Rights	543	528
Chemicals	936	1,221
Movement in Water Inventory	88	(3)
Total	4,463	4,450
Depreciation and Amortisation Expenses:		
Infrastructure Assets	13,579	12,223
Buildings	104	14
Other Assets	891	918
Intangibles	55	46
Total	14,629	13,201

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
5. Expenses (continued)		
Employee and Related Expenses:		
Salaries and On-Costs	15,053	13,718
Less Capitalised Salaries	(1,285)	(1,244)
Entitlement Provisions Movements	1,176	933
Training and Travel	278	290
Other	187	306
Total	15,409	14,003
Operations and Maintenance Expenses:		
Maintenance and Planning	9,095	7,397
Water Sampling	1,146	891
Property Costs	1,112	1,027
Motor Vehicles	845	771
Supporting Operating Systems and Equipment	1,362	1,432
Less Capitalised Expenses	(99)	-
Total	13,461	11,518
Administration Expenses:		
Insurance	394	382
Services Provided by Associate (Note 18.3 and 22)	3,248	3,309
Billing Expenses - Printing, Postage and Bank Fees	469	96
Rates, Land Tax and Property Costs	161	443
Consultancies	189	153
Information Systems and Communications	245	95
Loss on Disposal of Property, Plant and Equipment	3	-
Allowance for Impaired Trade Receivables and Bad Debts	725	298
Governance and Regulatory	849	648
Other Administration	308	216
Less Capitalised Expenses	(348)	-
Total	6,243	5,640
Financing Expenses:		
Borrowing Costs	1,662	946
Interest Expense - Superannuation	585	525
Government Guarantee Fee Expense (Paid to Owner Councils)	182	115
Total	2,429	1,586
Total Expenses	56,634	50,398

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
6. Income Tax Equivalents		
6.1 Income Tax Equivalents Recognised in Statement of Comprehensive Income		
Current tax equivalents	3,286	2,542
Deferred tax equivalents relating to the origination and reversal of temporary differences	(303)	443
Total income tax equivalents expense	2,983	2,985
Attributable to continuing operations	2,983	2,985
	<u>2,983</u>	<u>2,985</u>
The prima facie income tax equivalents on pre-tax accounting profit from operations reconciles to the income tax equivalents in the financial statements as follows:		
Profit from continuing operations	9,943	10,001
Income tax equivalents calculated at 30%	2,983	3,000
Non-deductible expenses	-	
Other	-	(15)
Income tax equivalents expense	2,983	2,985
	<u>2,983</u>	<u>2,985</u>
The tax equivalent rate used in the reconciliations above is the national tax equivalent rate of 30% payable by Australian national tax equivalent entities on profits under Australian tax law.		
6.2 Deferred Tax Equivalents Recognised Directly in Equity		
The following current and deferred tax equivalents were charged directly to equity during the period:		
Actuarial movements on defined benefit plan	606	(160)
	<u>606</u>	<u>(160)</u>
6.3 Current Tax Equivalent Assets and Liabilities		
Opening balance	(816)	(1,230)
National tax equivalent payable - current year	(3,286)	(2,542)
Instalments paid	2,763	2,956
Closing balance	<u>(1,339)</u>	<u>(816)</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
6. Income Tax Equivalents (continued)		
6.4 Deferred Tax Equivalent Assets and Liabilities		
Deferred tax equivalent assets comprise:		
Tax losses - revenue	1,910	2,593
Temporary differences	4,468	2,800
	<u>6,378</u>	<u>5,393</u>
Deferred tax equivalent liabilities comprise:		
Temporary differences	(13,657)	(13,581)
	<u>(13,657)</u>	<u>(13,581)</u>
Net deferred tax equivalent liabilities:	<u>(7,279)</u>	<u>(8,188)</u>

Taxable and deductible differences arise from the following:

30 June 2012	Opening balance \$'000	Recognised in Profit or Loss \$'000	Recognised in Equity \$'000	Acquisitions / Disposals \$'000	Closing balance \$'000
Deferred tax equivalent liabilities:					
Property, plant and equipment	(13,580)	(70)	-	-	(13,650)
Other	(1)	(6)	-	-	(7)
	<u>(13,581)</u>	<u>(76)</u>	<u>-</u>	<u>-</u>	<u>(13,657)</u>
Deferred tax equivalent assets:					
Provisions	2,269	853	-	606	3,728
Tax losses	2,593	(683)	-	-	1,910
Other	531	209	-	-	740
	<u>5,393</u>	<u>379</u>	<u>-</u>	<u>606</u>	<u>6,378</u>
Net deferred tax equivalent liabilities:	<u>(8,188)</u>	<u>303</u>	<u>-</u>	<u>606</u>	<u>(7,279)</u>
Attributable to:					
Continuing operations					<u>(7,279)</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

6 Income Tax Equivalents (continued)

6.4 Deferred Tax Equivalent Assets and Liabilities (continued)

30 June 2011	Opening balance \$'000	Recognised in Profit or Loss \$'000	Recognised in Equity \$'000	Acquisitions / Disposals \$'000	Closing balance \$'000
Deferred tax equivalent liabilities:					
Property, plant and equipment	(13,401)	(179)	-	-	(13,580)
Other	(9)	8	-	-	(1)
	<u>(13,410)</u>	<u>(171)</u>	<u>-</u>	<u>-</u>	<u>(13,581)</u>
Deferred tax equivalent assets:					
Provisions	2,249	180	(160)	-	2,269
Tax losses	3,052	(459)	-	-	2,593
Other	524	7	-	-	531
	<u>5,825</u>	<u>(272)</u>	<u>(160)</u>	<u>-</u>	<u>5,393</u>
Net deferred tax equivalent liabilities:	<u>(7,585)</u>	<u>(443)</u>	<u>(160)</u>	<u>-</u>	<u>(8,188)</u>
Attributable to:					
Continuing operations					<u>(8,188)</u>

Gross cumulative tax equivalent losses of \$6,368,507 (2011: \$8,644,669), tax effect: \$2,276,162 (2011: \$2,593,400) were brought to account as a deferred tax asset. Included in the cumulative tax equivalent losses are losses transferred from Esk Water at the inception of the Corporation. The utilisation of transferred losses is limited by the 'available fraction' method. The Corporation's carry forward losses are classified as an asset on the basis of certainty of recouping the loss at some time in the future.

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.

Availability of tax losses is subject to the Corporation continuing in its current structure. Consideration is being given to a merger of the Tasmanian water and sewerage corporations, including their shared services provider. The availability of the losses to a merged organisation would be subject to transitional provisions and the application of the loss recognition provisions.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

7. Dividends

On 3 February 2012 the Board of Ben Lomond Water approved the payment of a \$ 780,000 (2010-11: \$979,000) interim dividend from 2011-12 estimated profits. This dividend was paid on 2 March 2012. Total dividends paid during the year were \$2,566,000 inclusive of the 2010-11 final dividend of \$1,786,000.

On 10 August 2012 the Board approved the payment of a final dividend of \$ 468,620 (2010-11: \$1,786,000) making a total dividend of \$1,248,620 (2010-11: \$2,765,000) for the 2011-12 financial year. In accordance with accounting standards the final dividend was not recognised in the financial statements at 30 June 2012 as it was not declared prior to the balance date.

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

	30 June 2012 \$'000	30 June 2011 \$'000
8. Current Assets		
8.1 Cash and Cash Equivalents		
Cash at Bank and on Hand	1,032	1,755
	<u>1,032</u>	<u>1,755</u>
8.2 Receivables		
Trade Receivables	18,484	13,986
Less Allowance for Impaired Trade Receivables	(1,065)	(525)
Unbilled Water and Sewerage Income	3,996	4,938
Net GST Receivable	627	1,129
Other Current Receivables	1,021	365
	<u>23,063</u>	<u>19,893</u>
An ageing analysis of receivables is provided in Note 20.3.		
Movement in allowance for impaired trade receivables		
Opening balance	(525)	(232)
Increase (decrease) in allowance	(730)	(298)
Amounts recovered during the year	-	-
Amounts written off during the year	190	5
Closing balance	<u>(1,065)</u>	<u>(525)</u>
An allowance is made for estimated unrecoverable amounts when there is objective evidence that an individual receivable is impaired. The increase in the allowance was recognised in the net result for the current year.		
8.3 Inventories (at Cost)		
Stores and Consumables at Cost	1,247	1,140
Water	-	88
Total	<u>1,247</u>	<u>1,228</u>

During the current year, the Corporation changed its approach with respect to water inventory and no longer recognises the value of water in storage, unless it is material. This change was applied from 1 July 2011. As the value of water in storage was immaterial at 30 June 2012, no water inventory was recognised as at that date.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

9. Property, Plant and Equipment

Fair value of assets contributed by the eight owner councils and Esk Water Authority was determined by an independent valuation based on depreciated replacement cost as at 1 July 2009. Additions are recognised at cost. 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. 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.

The impairment test has also been performed for the current reporting period, which resulted in no impairment at 30 June 2012. The 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 7.20% per annum (2010-11: 7.51%) based on independent review. The Risk Free Rate is a key input into the determination of the Weighted Average Cost of Capital. A 20 day average of the 10 year Australian Commonwealth bond rate was used as the risk free rate in the prior year calculation. In the current year this has been extended to a 10 year average of the 10 year Australian Commonwealth bond rate. This is considered to be more reflective of the long-life nature of the Corporation's assets.
CPI Rate	2.75% per annum (2010-11: 2.5%)
Period of discounting	7 years (2010-11: 7 years) with a terminal value, based on a perpetuity factor of 15.16 (2010-11: 14.53), applied for subsequent years.
Cash inflows	Based on most recent revenue forecast and Corporate Plan estimates, incorporating nominal average price increase of 8.51% per annum (2010-11 8.70%) as per the Price and Service Plan. After allowing for CPI the real price increase is 5.76% per annum (2010-11: 6.20%).
Cash outflows	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average cost increase of 3.09% per annum (2010-11: 2.00%) and labour increase of 4.89% (2010-11: 4.0%). After allowing for CPI the real cost increase is 0.34% (2010-11: -0.50%) and real labour increase of 2.14% per annum (2010-11: 1.50%) assumed. Capital expenditure as per most recent forecast and Corporate Plan.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
9. Property, Plant and Equipment (continued)		
Infrastructure Assets - Water		
At Fair Value	297,463	288,440
Accumulated Depreciation	<u>(23,935)</u>	<u>(14,925)</u>
	<u>273,528</u>	<u>273,515</u>
Infrastructure Assets - Sewerage		
At Fair Value	221,184	213,019
Accumulated Depreciation	<u>(13,488)</u>	<u>(8,925)</u>
	<u>207,696</u>	<u>204,094</u>
Freehold Land		
At Fair Value	<u>11,099</u>	<u>11,099</u>
Buildings and Leasehold Improvements		
At Fair Value	5,186	4,369
Accumulated Depreciation	<u>(132)</u>	<u>(28)</u>
	<u>5,054</u>	<u>4,341</u>
Other Assets		
At Cost	4,904	4,265
Accumulated Depreciation	<u>(1,915)</u>	<u>(1,394)</u>
	<u>2,989</u>	<u>2,871</u>
Work In Progress - at Cost	<u>32,746</u>	<u>14,438</u>
Total	<u><u>533,112</u></u>	<u><u>510,358</u></u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

9. Property, Plant and Equipment (continued)

Property, Plant and Equipment - Reconciliation

Asset Group (\$'000)	Infrastructure Assets Water at Fair Value	Infrastructure Assets Sewerage at Fair Value	Freehold Land at Fair Value	Buildings and Leasehold Improvements at Fair Value	Other Assets at Cost	Assets Under Construction at Cost	Total
Net Book Value as at 1 July 2010	268,584	205,458	10,218	987	2,126	17,330	504,703
Contributed Assets at Fair Value	630	1,448	-	-	-	-	2,078
Additions at cost	-	-	-	-	-	17,044	17,044
Transfers from Work in Progress	12,123	1,714	900	3,368	1,831	(19,936)	-
Disposals	(107)	(18)	(19)	-	(168)	-	(312)
Depreciation Expenses	(7,715)	(4,508)	-	(14)	(918)	-	(13,155)
Net Book Value as at 30 June 2011	<u>273,515</u>	<u>204,094</u>	<u>11,099</u>	<u>4,341</u>	<u>2,871</u>	<u>14,438</u>	<u>510,358</u>
Net Book Value as at 1 July 2011	273,515	204,094	11,099	4,341	2,871	14,438	510,358
Contributed Assets at Fair Value	1,875	4,289	-	-	-	-	6,164
Additions at cost	-	-	-	-	-	31,545	31,545
Transfers from Work in Progress	7,231	4,065	-	817	1,124	(13,237)	-
Disposals	(81)	(185)	-	-	(115)	-	(381)
Depreciation Expenses	(9,012)	(4,567)	-	(104)	(891)	-	(14,574)
Net Book Value as at 30 June 2012	<u>273,528</u>	<u>207,696</u>	<u>11,099</u>	<u>5,054</u>	<u>2,989</u>	<u>32,746</u>	<u>533,112</u>

The useful lives of all water meter assets were reviewed during the year and revised effective lives were applied from 1 July 2011 to match the Water Meter Replacement Project timeline. If it were not for the changes in estimated useful lives depreciation for the year ended 30 June 2012 would have been approximately \$1.1 million less than the depreciation expense noted above.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

9. Property, Plant and Equipment (continued)

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 recorded at written down replacement cost as determined by owners. If property, plant and equipment were measured at depreciated replacement cost the carrying amounts at 30 June 2012 would be as follows:

Asset Group (\$'000)	Infrastructure Assets Water	Infrastructure Assets Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets Under Construction	Total
Depreciated Replacement Cost	353,896	426,574	11,520	5,227	5,486	32,746	835,449
Accumulated Depreciation	(28,777)	(26,453)	-	(132)	(1,932)	-	(57,294)
Net Carrying Amount as at 30 June 2012	325,119	400,121	11,520	5,095	3,554	32,746	778,155

Asset Group (\$'000)	Infrastructure Assets Water	Infrastructure Assets Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets Under Construction	Total
Depreciated Replacement Cost	344,876	418,461	11,520	4,410	4,941	14,438	798,646
Accumulated Depreciation	(18,005)	(17,602)	-	(27)	(1,411)	-	(37,045)
Net Carrying Amount as at 30 June 2011	326,871	400,859	11,520	4,383	3,530	14,438	761,601

The Corporation deemed cost as at 1 July 2009 to be the depreciated replacement cost as noted above. If plant and equipment were measured using the cost model the carrying amounts at 30 June 2012 would be as follows:

Asset Group (\$'000)	Infrastructure Assets Water	Infrastructure Assets Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets Under Construction	Total
Cost	564,030	597,116	11,520	5,635	6,798	32,746	1,217,845
Accumulated Depreciation	(238,911)	(196,995)	-	(540)	(3,244)	-	(439,690)
Net Carrying Amount as at 30 June 2012	325,119	400,121	11,520	5,095	3,554	32,746	778,155

Asset Group (\$'000)	Infrastructure Assets Water	Infrastructure Assets Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets Under Construction	Total
Cost	555,011	589,003	11,520	4,818	6,375	14,438	1,181,165
Accumulated Depreciation	(228,140)	(188,144)	-	(435)	(2,845)	-	(419,564)
Net Carrying Amount as at 30 June 2011	326,871	400,859	11,520	4,383	3,530	14,438	761,601

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
10. Intangibles		
Computer Software and Systems Development		
At Cost	627	82
Accumulated Amortisation	(79)	(42)
	<u>548</u>	<u>40</u>
Business Systems		
At Cost	186	112
Accumulated Amortisation	(32)	(14)
	<u>154</u>	<u>98</u>
Work in Progress - at Cost	<u>110</u>	<u>292</u>
Total	<u><u>812</u></u>	<u><u>430</u></u>

Intangibles (\$'000)	Software	Intellectual Property	Work in Progress	Total
Net Book Value as at 1 July 2010	72	-	-	72
Additions at cost	-	-	292	292
Transfers from Work in Progress	-	112	-	112
Disposals	-	-	-	-
Amortisation Expenses	(32)	(14)	-	(46)
Net Book Value as at 30 June 2011	<u>40</u>	<u>98</u>	<u>292</u>	<u>430</u>
Net Book Value as at 1 July 2011	40	98	292	430
Additions at cost	-	-	437	437
Transfers from Work in Progress	545	74	(619)	-
Disposals	-	-	-	-
Amortisation Expenses	(37)	(18)	-	(55)
Net Book Value as at 30 June 2012	<u>548</u>	<u>154</u>	<u>110</u>	<u>812</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
11. Current and Non-current Liabilities		
11.1 Borrowings		
All borrowings have been transacted through the Tasmanian Public Finance Corporation (Tascorp). All borrowings are secured by a charge over revenue.		
Borrowings:		
Current Liabilities	6,729	6,874
Non-current Liabilities	26,780	11,807
Total Borrowings	<u>33,509</u>	<u>18,681</u>
Credit Facilities		
At 30 June 2012 the Corporation had access to the following finance facilities:		
Master Loan Borrowing Limit - Tascorp		
Facility	40,000	28,000
Less Used / Committed	(33,509)	(18,681)
Balance	<u>6,491</u>	<u>9,319</u>
Corporate MasterCard		
Facility	100	100
Less Used / Committed	(9)	(10)
Balance	<u>91</u>	<u>90</u>
11.2 Employee Benefits		
Current:		
Annual Leave/Accrued Day Off	1,891	1,712
Long Service Leave	1,737	1,726
Defined Benefit Superannuation - RBF (refer Note 13.1)	113	128
Defined Benefit Superannuation - Quadrant (refer Note 13.2)	-	-
	<u>3,741</u>	<u>3,566</u>
Non-current:		
Long Service Leave	412	257
Defined Benefit Superannuation - RBF (refer Note 13.1)	3,702	2,879
Defined Benefit Superannuation - Quadrant (refer Note 13.2)	2,074	796
	<u>6,188</u>	<u>3,932</u>
Total ⁽¹⁾	<u>9,929</u>	<u>7,498</u>
⁽¹⁾ The employee benefits provision at 30 June 2012 included attributable on-costs of \$340,248 (2011: \$233,866).		
	2012 Employees	2011 Employees
Number of Full Time Equivalent Employees at Year End	184.7	184.4

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
11. Current and Non-current Liabilities (continued)		
11.3 Payables		
Trade Creditors	3,439	2,259
Accrued Expenses	3,500	1,577
Accrued Interest Expense	336	123
Total	<u>7,275</u>	<u>3,959</u>
11.4 Unearned Income		
Current:		
Government Grants (refer Note 3.4)	223	44
	<u>223</u>	<u>44</u>
Non-current:		
Government Grants (refer Note 3.4)	3,817	1,539
	<u>3,817</u>	<u>1,539</u>
	<u>4,040</u>	<u>1,583</u>

12. Members' Equity

The Corporation is owned by eight Councils in northern Tasmania as detailed in note 21. Each owner's share of equity was determined effective 1 July 2009 (and subsequently updated in February 2011) 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.

	30 June 2012 \$'000	30 June 2011 \$'000
12.1 Retained Profits		
Opening Balance	8,894	3,511
Actuarial Gain (Loss) on Defined Benefit Plans	(2,019)	533
Tax Effect of Actuarial Gain (Loss) on Defined Benefit Plans	606	(160)
Share of Other Comprehensive Income of Associates	(48)	(18)
Dividends Paid (refer Note 7)	(2,566)	(1,988)
Profit After Income Tax Expense	6,960	7,016
Closing Balance	<u>11,827</u>	<u>8,894</u>
12.2 Contributed Equity		
Opening Balance	484,103	484,103
Movement for Year	-	-
Closing Balance	<u>484,103</u>	<u>484,103</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

13. Superannuation and Defined Benefit Plans

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 Note 13.1 and 13.2.

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 Employee Benefits, 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 2011. The review disclosed that at that time the net market value of assets available for funding member benefits was \$57,588,247, the value of vested benefits was \$52,794,839, the surplus over vested benefits was \$4,793,408 and the value of total accrued benefits was \$57,330,437. 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 employees.

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

Net Investment Return	0% p.a. for 2011/12 and 7.0% p.a. thereafter
Salary Inflation	4.0% pa
Price Inflation	n/a

The actuarial review concluded that:

1. The value of assets of the Quadrant Defined Benefit Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2011.
2. The value of assets of the Fund was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2011.
3. Based on the assumptions used, and assuming the employer contributes at the levels described below, the value of the assets is expected to continue to be adequate to meet the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2014.

The Actuary recommended that in future the employer contribute 9.5% of salaries in 2012/13, 10.5% of salaries in 2013/14, and 11% of salaries in 2014/15.

The Actuary will continue to undertake a brief review of the financial position of the Fund at the end of each financial year to confirm that the contribution rates remain appropriate. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2014 and is expected to be completed late in 2014 or early in 2015. The employer also contributes to other accumulation schemes on behalf of a number of employees, however the employer has no ongoing responsibility to make good any deficiencies that may occur in those schemes.

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

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

13. Superannuation and Defined Benefit Plans (continued)

13.1 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 2012, 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 11.2 above. The funding status of the Corporation's share of this scheme as at 30 June 2012, based on the actuarial valuation, is summarised as follows:

Principal Actuarial Assumptions as at Balance Date	2012	2011
Discount rate	3.45%	5.50%
Expected salary increase rate	3.50%	4.50%
Expected return on plan assets ⁽¹⁾	7.50%	7.50%
Expected pension increase rate	2.50%	2.50%
Expected rate of increase compulsory preserved amounts	3.75%	4.50%

⁽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 2012 adjusted 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 plus 1.0% of pensions in payment. This cost is allocated to each entity in proportion to assets.

Temporary Invalidity Expense

The cost of temporary invalidity benefits was assumed to be 0.2% of salaries of current contributory members. This cost is allocated to each entity in proportion to assets.

Fund Assets disclosure	2012	2011
Australian equities	29%	25%
Overseas equities	18%	22%
Fixed interest securities	12%	13%
Property, infrastructure and related assets	33%	19%
Cash and other	8%	21%

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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
13. Superannuation and Defined Benefit Plans (continued)		
13.1 RBF Defined Benefit Superannuation Liability (continued)		
Statement of Financial Position results as at 30 June - Net liability		
Defined benefit obligation	4,422	3,673
RBF Contributory scheme assets	(607)	(666)
	<u>3,815</u>	<u>3,007</u>
Deficit (surplus)	3,815	3,007
Unrecognised past service cost	-	-
Unrecognised net (gain) loss	-	-
Adjustment for Limitation on net assets	-	-
	<u>3,815</u>	<u>3,007</u>
Net liability (asset)	3,815	3,007
Current net liability (refer Note 11.2)	113	128
Non-current net liability (refer Note 11.2)	3,702	2,879
	<u>3,815</u>	<u>3,007</u>
Expense Recognised in the Statement of Comprehensive Income		
Employer service cost	63	58
Expected return on plan assets	(49)	(43)
Expense recognised in employee related expenses	<u>14</u>	<u>15</u>
Interest cost	197	180
Expense recognised in net financing costs	<u>197</u>	<u>180</u>
Total Expense Recognised in the Statement of Comprehensive Income	<u>211</u>	<u>195</u>
Amounts Recognised in Other Comprehensive Income		
Recognised actuarial (gains) / losses	684	73
Cumulative Actuarial Gains or Losses Recognised in Other Comprehensive Income		
Cumulative amount of actuarial (gains) or losses at end of prior year	690	617
Actuarial (gains) or losses recognised during the year	684	73
Cumulative amount of actuarial (gains) or losses at end of prior year	<u>1,374</u>	<u>690</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
13. Superannuation and Defined Benefit Plans (continued)		
13.1 RBF Defined Benefit Superannuation Liability (continued)		
Reconciliation of Fair Value of Scheme Assets		
Fair value of plan assets at end of prior year	666	630
Estimated employer contributions	86	68
Estimated participant contributions	15	14
Estimated operating costs	(7)	(6)
Estimated benefit payments	(116)	(92)
Expected return on assets	49	43
	<hr/>	<hr/>
Expected assets at year end	693	657
Actuarial gain (loss) on assets	(86)	9
Individual plan assets at year end	<hr/> 607	<hr/> 666
Actual return on plan assets ⁽¹⁾	(38)	52
⁽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	3,673	3,437
Employer service cost plus operating costs	63	58
Interest cost	197	180
Estimated participant contributions	15	14
Estimated operating costs (administration, insurance)	(7)	(6)
Estimated benefit payment plus contributions tax	(116)	(92)
	<hr/>	<hr/>
Expected defined benefit obligations at year end	3,825	3,591
Actuarial (gain) loss on liabilities	597	82
Actual total defined benefit obligations at year end	<hr/> 4,422	<hr/> 3,673

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

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

13. Superannuation and Defined Benefit Plans (continued)

13.1 RBF Defined Benefit Superannuation Liability (continued)

	2012 \$'000	2011 \$'000	2010 \$'000
Historical Information			
Present value of defined benefit obligation	4,422	3,673	3,437
Fair value of plan assets at year end	(607)	(666)	(630)
Deficit / (surplus)	3,815	3,007	2,807
Experience adjustment on liabilities (gain) / loss	(350)	151	294
Experience adjustment on assets (gain) / loss	86	(9)	(56)

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 2013

The estimated employer contributions for the following financial year are \$113,000.

13.2 Quadrant Defined Benefit Superannuation Liability

Ben Lomond Water is a participating employer in the LCC Defined Benefits Fund, which is a sub-fund of the Quadrant Superannuation Scheme. Defined benefits members of the LCC Defined Benefits Fund are generally entitled to receive lump sum benefits on leaving service due to retirement, death, total and permanent disablement and resignation. The Quadrant Fund has contributory members, compulsory preserved members and pensioners.

As at 30 June 2012, 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 11.2 above. The funding status of the Corporation's share of this scheme as at 30 June 2012, based on the actuarial valuation, is summarised as follows:

Principal Actuarial Assumptions as at Balance Date	2012	2011
Discount rate gross of tax	2.90%	5.20%
Expected salary increase rate	3.50%	4.00%
Expected return on plan assets ⁽¹⁾	5.79%	5.78%

⁽¹⁾ The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the expected long term allocation of assets to each asset class. 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 2012 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

13. Superannuation and Defined Benefit Plans (continued)

13.2 Quadrant Defined Benefit Superannuation Liability (continued)

Asset Allocations	2012	2011
Australian equities	31%	31%
Overseas equities	30%	27%
Fixed interest securities	14%	13%
Property	13%	12%
Cash and other	12%	17%

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.

	30 June 2012 \$'000	30 June 2011 \$'000
Statement of Financial Position Results as at 30 June - Net liability		
Defined benefit obligation	9,929	9,232
Quadrant Contributory scheme assets	(7,855)	(8,436)
Deficit (surplus)	2,074	796
Unrecognised past service cost	-	-
Unrecognised net (gain) loss	-	-
Adjustment for Limitation on net assets	-	-
Net liability (asset)	2,074	796
Current net liability (refer Note 11.2)	-	-
Non-current net liability (refer Note 11.2)	2,074	796
	2,074	796
Expense Recognised in the Statement of Comprehensive Income		
Employer service cost	392	396
Expected return on plan assets	(488)	(448)
Expense recognised in employee related expenses	(96)	(52)
Interest cost	388	345
Expense recognised in net financing costs	388	345
Total Expense Recognised in the Statement of Comprehensive Income	292	293

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
13. Superannuation and Defined Benefit Plans (continued)		
13.2 Quadrant Defined Benefit Superannuation Liability (continued)		
Amounts Recognised in Other Comprehensive Income		
Recognised actuarial (gains) / losses	1,335	(606)
Cumulative Actuarial Gains or Losses Recognised in Other Comprehensive Income		
Cumulative amount of actuarial (gains) or losses at end of prior year	(390)	216
Actuarial (gains) or losses recognised during the year	1,335	(606)
Cumulative amount of actuarial (gains) or losses	945	(390)
Reconciliation of Fair Value of Scheme Assets		
Fair value of plan assets at end of prior year	8,436	7,185
Estimated employer contributions	349	330
Estimated participant contributions	216	227
Estimated operating costs	-	-
Estimated benefit payments	(1,119)	(57)
Expected return on assets	488	448
Expected assets at year end	8,370	8,133
Actuarial gain (loss) on assets	(515)	303
Individual plan assets at year end	7,855	8,436
Actual return on plan assets ⁽¹⁾	(28)	751
⁽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	9,232	8,625
Employer service cost plus operating costs	392	396
Interest cost	388	345
Estimated participant contributions	216	227
Estimated operating costs (administration, insurance)	-	-
Estimated benefit payment plus contributions tax	(1,119)	(57)
Expected defined benefit obligations at year end	9,109	9,536
Actuarial (gain) loss on liabilities	820	(304)
Actual total defined benefit obligations at year end	9,929	9,232

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

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

Historical information	2012 \$'000	2011 \$'000	2010 \$'000
Present value of defined benefit obligation	9,929	9,232	8,625
Fair value of plan assets at year end	(7,855)	(8,436)	(7,185)
Deficit (surplus)	2,074	796	1,440
Experience adjustment on liabilities (gain) / loss	468	173	(257)
Experience adjustment on assets (gain) / loss	(515)	303	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 2013

The estimated employer contributions for the following financial year are \$319,439.

	30 June 2012 \$'000	30 June 2011 \$'000
14. Commitments for Expenditure		
14.1 Capital Commitments		
Capital commitments totalling \$11,418,000 under contracts as at 30 June 2012 are not provided for in the financial statements.		
Payments within 1 year	11,418	8,280
Payments 1 – 5 years	-	-
Payments longer than 5 years	-	-
Total	11,418	8,280
Reconciliation of Capital Commitments		
Buildings and infrastructure	10,830	7,939
Other	588	341
	11,418	8,280
14.2 Lease Commitments		
Lease payments expensed during the period	39	359
Operating Lease Commitments		
Payments within 1 year	13	6
Payments 1 – 5 years	15	36
Payments longer than 5 years	113	347
Total	141	389

Future lease commitments represent payments due on current operating leases for land and regional accommodation. The leases are cancellable but incur a penalty of the present value of future lease payments. There is no documented option to purchase the leased assets on expiry of the leases.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

15. Contingent Assets/Liabilities

Prior to 30 June 2009 an owner Council dismissed a contractor engaged to design and construct a Sewage 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 took action against the Council seeking redress. Ben Lomond Water became involved in the dispute when the sewerage treatment plant was subsequently transferred to the Corporation effective 1 July 2009. Action by the contractor was not successful and the contractor has now agreed that an arbitration conference is appropriate. Arbitration commenced on 15 March 2012 and is yet to be concluded. Based on legal advice, the Directors are of the opinion that no provision is required at the time of finalising the financial report.

	30 June 2012 \$'000	30 June 2011 \$'000
16. Remuneration of Auditors		
Audit Services - Tasmanian Audit Office		
Annual external audit fee	42	42
Total fees, exclusive of GST	<u>42</u>	<u>42</u>

	30 June 2012 \$	30 June 2011 \$
17. Compensation of Key Management Personnel		
Directors		
Short-Term	158,558	144,180
Post Employment (superannuation)	14,348	12,976
Other Long-Term	-	-
Termination Benefits	-	-
Other Key Management Personnel		
Short-Term	881,866	933,391
Post Employment (superannuation)	81,755	91,744
Other Long-Term	-	-
Termination Benefits	-	-
	<u>1,136,527</u>	<u>1,182,291</u>

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

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

18. Related Party Disclosures

18.1 Board Directors

The Board Directors during the financial year ended 30 June 2012 and up to the date of this report were:

- Mr Miles Hampton (Chair)
- Mr Brian Bayley
- Ms Jane Bennett
- Ms Sarah Merridew
- Dr Dan Norton
- Ms Liz Swain

Other expenses associated with the Board are as follows:

	30 June 2012 \$	30 June 2011 \$
Travel, accommodation, meals and other	19,272	17,850
Director professional development	-	1,276
	<u>19,272</u>	<u>19,126</u>

18.2 Key Management Personnel and Director Transactions

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

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Corporation in the reporting period. In addition, a number of key management persons, or their related parties, transacted with the Corporation in the reporting period as residents or owners of properties in the region in which the Corporation provides water and sewerage services. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel.

Where matters for resolution were discussed in respect to the above transactions, directors were not present in meetings

18.3 Transactions with Other Related Parties

The Corporation owns a one third share in Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd, trading as Onstream. Onstream provides various services to the Corporation. Refer to Note 22 for details of services provided and 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:

	30 June 2012 \$'000	30 June 2011 \$'000
Service Fees	3,240	3,309
Reimbursement of Other Costs	880	658
Accounts Payable	733	184
Sales	125	329
Accounts Receivable	35	49

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

18. Related Party Disclosures (continued)

18.3 Transactions with Other Related Parties (continued)

The Corporation is owned by eight Councils in northern Tasmania as detailed in note 21. 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 2012	Water and Sewerage Sales \$'000	Other Services \$'000	Amount Receivable as at 30 June 2012 \$'000
Break O'Day Council	59	2	29
Dorset Council	2	1	-
Flinders Council	-	-	-
George Town Council	5	-	-
Launceston City Council	523	60	171
Meander Valley Council	63	7	47
Northern Midlands Council	38	12	1
West Tamar Council	108	2	46
Total	798	84	294

Sales for the year ended 30 June 2011	Water and Sewerage Sales \$'000	Other Services \$'000	Amount Receivable as at 30 June 2011 \$'000
Break O'Day Council	19	2	8
Dorset Council	1	-	-
Flinders Council	-	-	-
George Town Council	6	-	6
Launceston City Council	703	41	128
Meander Valley Council	20	5	15
Northern Midlands Council	16	1	14
West Tamar Council	50	-	35
Total	815	49	206

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

18. Related Party Disclosures (continued)

18.3 Transactions with Other Related Parties (continued)

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.

	Council Rates \$'000	Other Council Services \$'000	Amount Payable as at 30 June 2012 \$'000
Purchases for the year ended 30 June 2012			
Break O'Day Council	15	18	-
Dorset Council	-	22	-
Flinders Council	-	74	12
George Town Council	46	4	-
Launceston City Council	139	190	32
Meander Valley Council	7	30	-
Northern Midlands Council	11	46	1
West Tamar Council	13	1	-
Total	231	385	45

	Council Rates \$'000	Other Council Services \$'000	Amount Payable as at 30 June 2011 \$'000
Purchases for the year ended 30 June 2011			
Break O'Day Council	11	14	-
Dorset Council	-	132	-
Flinders Council	-	43	4
George Town Council	40	-	-
Launceston City Council	75	181	12
Meander Valley Council	8	1	-
Northern Midlands Council	11	68	1
West Tamar Council	13	1	-
Total	158	440	17

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

	30 June 2012 \$'000	30 June 2011 \$'000
19. Notes to the Statement of Cash Flow		
Reconciliation of Net Cash Flow From Operating Activities to Operating Result		
19.1		
Net Profit before Income Tax Equivalents	9,943	10,001
Add (Less) Non-Cash Items:		
Depreciation and Amortisation Expense	14,629	13,201
Loss (Profit) on Sale of Non-current Assets	3	(23)
Share of Net Profit of Associate	(13)	(41)
Contributed Assets	(6,207)	(2,122)
Provision for doubtful debts	725	293
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(3,154)	(5,116)
(Increase) Decrease in Inventory	(19)	66
(Increase) Decrease in Prepayments	(12)	26
Increase (Decrease) in Payables	1,833	(115)
Increase (Decrease) in Employee Benefits	412	16
Increase (Decrease) in Other Liabilities	(70)	-
Income Tax Equivalents Paid	(2,763)	(2,956)
Cash Flows from Operating Activities	<u>15,307</u>	<u>13,230</u>
19.2 Reconciliation of Cash and Cash Equivalents		
Cash at Bank and on Hand	<u>1,032</u>	<u>1,755</u>
Cash as per Statement of Cash Flows	<u>1,032</u>	<u>1,755</u>

20. Financial Instruments

20.1 Significant Accounting Policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Corporation uses different methods to measure and manage the different financial risks. The Board has the primary responsibility to set appropriate policies to manage these risks. This note presents information about the 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 3.7, 3.9, 3.16, 3.18, 3.20 and 3.21.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

20. Financial Instruments (continued)

20.1 Significant Accounting Policies (continued)

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

Financial Instruments	2012 Carrying Amount \$'000	2011 Carrying Amount \$'000
Financial Assets		
Cash and cash equivalents	1,032	1,755
Loans and receivables	23,063	19,893
Total Financial Assets	<u>24,095</u>	<u>21,648</u>
Financial Liabilities		
Payables at amortised cost	7,275	3,959
Borrowings at amortised cost	33,509	18,681
Total Financial Liabilities	<u>40,784</u>	<u>22,640</u>

Net holding gain / loss on financial instruments by category:

As at 30 June 2012	Interest Income and Expense \$'000	Fee Income and Expense \$'000	Impairment Loss \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	45	-	-	45
Loans and receivables	-	-	(540)	(540)
Total Financial Assets	<u>45</u>	<u>-</u>	<u>(540)</u>	<u>(495)</u>
Financial Liabilities				
Payables at amortised cost	-	-	-	-
Borrowings at amortised cost	1,662	182	-	1,844
Total Financial Liabilities	<u>1,662</u>	<u>182</u>	<u>-</u>	<u>1,844</u>
Net gain / (loss) on financial instruments	<u>(1,617)</u>	<u>(182)</u>	<u>(540)</u>	<u>(2,339)</u>
As at 30 June 2011				
Financial Assets				
Cash and cash equivalents	61	-	61	61
Loans and receivables	-	-	(293)	(293)
Total Financial Assets	<u>61</u>	<u>-</u>	<u>(293)</u>	<u>(232)</u>
Financial Liabilities				
Payables at amortised cost	-	-	-	-
Borrowings at amortised cost	946	115	-	1,061
Total Financial Liabilities	<u>946</u>	<u>115</u>	<u>-</u>	<u>1,061</u>
Net gain / (loss) on financial instruments	<u>(885)</u>	<u>(115)</u>	<u>(293)</u>	<u>(1,293)</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

20. Financial Instruments (continued)

20.2 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 adopting debt portfolio maturities and to spread debt between fixed and floating instruments. Debt is sourced from Tascorp and is managed within a range of Board approved limits with debt levels and interest being monitored regularly. The Corporation has not engaged hedging as part of its financial risk management strategy.

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

The following table details the Corporation's exposure to interest rates risk as at 30 June 2012.

	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest rate
		< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000			
As at 30 June 2012							
Financial Assets							
Cash at bank	1,032	-	-	-	-	1,032	3.40%
Receivables	-	-	-	-	23,063	23,063	
Total	1,032	-	-	-	23,063	24,095	
Financial Liabilities							
Borrowings - Tascorp	6,702	2,000	16,500	8,307	-	33,509	5.61%
Payables	-	-	-	-	7,275	7,275	
Total	6,702	2,000	16,500	8,307	7,275	40,784	
Net Financial (Liabilities) Assets	(5,670)	(2,000)	(16,500)	(8,307)	15,788	(16,689)	

	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest rate
		< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000			
As at 30 June 2011							
Financial Assets							
Cash at Bank	1,755	-	-	-	-	1,755	4.65%
Receivables	-	-	-	-	19,893	19,893	-
Total	1,755	-	-	-	19,893	21,648	
Financial Liabilities							
Borrowings - Tascorp	6,848	2,000	7,000	2,833	-	18,681	6.05%
Payables	-	-	-	-	3,959	3,959	
Total	6,848	2,000	7,000	2,833	3,959	22,640	
Net Financial (Liabilities) Assets	(5,093)	(2,000)	(7,000)	(2,833)	15,934	(992)	

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

20. Financial Instruments (continued)

20.2 Interest Rate Risk (continued)

As highlighted on previous page the Corporation's total exposure to variable interest rates at 30 June 2012 was a net liability of \$5,670,000 (2011: \$5,093,000), the Corporation is exposed to movements in interest rates on interest bearing liabilities maturing within 12 months.

There is sufficient volatility in interest rates and it is reasonably possible rates may change over the next 12 months. The table below shows the impact on profit after tax and equity on a 0.5% increase and a 0.5% decrease in interest rates.

The Corporation only enters into borrowings with Tascorp. The interest rate sensitivity is largely based upon the forecasts provided by Tascorp.

Interest Rate Sensitivity	Profit after tax higher / (lower) 0.5% increase 30 June 2012 \$'000	Profit after tax higher / (lower) 0.5% decrease 30 June 2012 \$'000	Profit after tax higher / (lower) 1% increase 30 June 2011 \$'000	Profit after tax higher / (lower) 1% decrease 30 June 2011 \$'000
Cash and Cash Equivalents	4	(4)	12	(12)
Interest Bearing Liabilities - Variable	(23)	23	(48)	48
Total	(19)	19	(36)	36

20.3 Credit Risk

Exposure to credit risk arises from the potential default of a counterparty, with respect to the Corporation's financial assets. Financial assets include cash and cash equivalents, trade and other receivables. As identified in note 20.2, the Corporation's maximum exposure to credit risk at reporting date was \$24,095,000 (2011: \$21,648,000).

Credit risk is measured at fair value. All receivable balances are monitored on an ongoing basis. Trade receivables consist of a large number of customers and industries over the region. The Corporation does not hold any collateral over any trade receivable. The Corporation currently records a large proportion of past due receivables that will be subject to a newly developed and more timely credit control process.

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

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

The ageing of the Corporation's receivables at reporting were:

Receivables	Gross 30 June 2012 \$'000	Impaired 30 June 2012 \$'000	Gross 30 June 2011 \$'000	Impaired 30 June 2011 \$'000
Not past due	11,659	86	4,561	(12)
0 -30 Days	1,045	18	3,772	-
31 - 60 Days	320	18	1,332	-
61 - 90 Days	659	40	120	-
More than 90 days	3,737	903	3,676	525
Total	17,420	1,065	13,461	525

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

20. Financial Instruments (continued)

20.4 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 on rollover of financial liabilities at reporting date:

As at 30 June 2012	3 months or less \$'000	3 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	> 5 years \$'000
Borrowings - Tascorp	7,194	3,180	7,378	12,919	8,765
Payables	7,275	-	-	-	-
Total	14,469	3,180	7,378	12,919	8,765

As at 30 June 2011	3 months or less \$'000	3 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	> 5 years \$'000
Borrowings - Tascorp	6,848	2,773	2,607	6,092	2,917
Payables	3,959	-	-	-	-
Total	10,807	2,773	2,607	6,092	2,917

20.5 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

20. Financial Instruments (continued)

20.6 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. At 30 June the Corporation was not carrying any financial assets or liabilities which were tradeable on an active market with reference to quoted market prices. The Corporation had not entered into any derivatives or forward foreign currency contract at balance date. Accordingly there are no financial instruments to report in the level 1,2 or 3 of the fair value hierarchy for 30 June 2012 (2011: Nil). The Corporation has not disclosed a movement schedule for level three items in the hierarchy as there have been no transactions for the year ended 30 June 2012 (2011: 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assets				
Cash at Bank	1,032	1,755	1,032	1,755
Receivables	23,063	19,893	23,063	19,893
Total	<u>24,095</u>	<u>21,648</u>	<u>24,095</u>	<u>21,648</u>
Financial Liabilities				
Borrowings - Tascorp Loans	33,509	18,681	34,973	18,822
Payables	7,275	3,959	7,275	3,959
Total	<u>40,784</u>	<u>22,640</u>	<u>42,248</u>	<u>22,781</u>

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

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

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

Borrowings – are carried at amortised cost which is different to net fair value due to market rate sensitivity of the debt portfolio as at 30 June 2012. Borrowings held until maturity are paid at the carrying amount.

20.7 Capital Management Policy

The Corporation has established a three year Capital Expenditure Program necessary to achieve our business and Regulatory objectives. We manage capital to achieve those objectives within financially prudent gearing thresholds while being mindful of providing acceptable returns to shareholders.

21. 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)*. Ben Lomond Water 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited

22. Investment in Associate

On 9 December 2008 the Corporation was issued one of three shares in Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd, trading as Onstream. The other two shares are owned by Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd, trading as Cradle Mountain Water and Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd, trading as Southern 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, billing, payroll, procurement and financial services. For details on the costs of these services, refer Note 18.3.

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.

	30 June 2012 \$'000	30 June 2011 \$'000
Summarised financial information of Onstream		
Revenue	13,693	16,154
Profit (loss) before income tax	74	232
Income tax equivalents (expense) benefit	(22)	(70)
Profit (loss) after income tax	52	162
Other comprehensive income (loss) after tax	(189)	-
Total comprehensive income for the period	(137)	162
Corporation's share of profit (loss) before tax	19	58
Corporation's share of income tax equivalents expense	(6)	(17)
Corporation's share of profit (loss) after tax	13	41
Corporation's share of other comprehensive income (loss) after tax	(48)	(18)
Corporation's share of total comprehensive income for the period	(35)	23
Assets	10,306	10,260
Liabilities	(10,296)	(10,113)
Net Assets	10	147
Reconciliation of carrying amount of investment		
Carrying amount at beginning of the year	37	14
Share of surplus (deficit) for the year	(35)	23
Carrying amount at end of the year	2	37

23. Subsequent Events

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



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