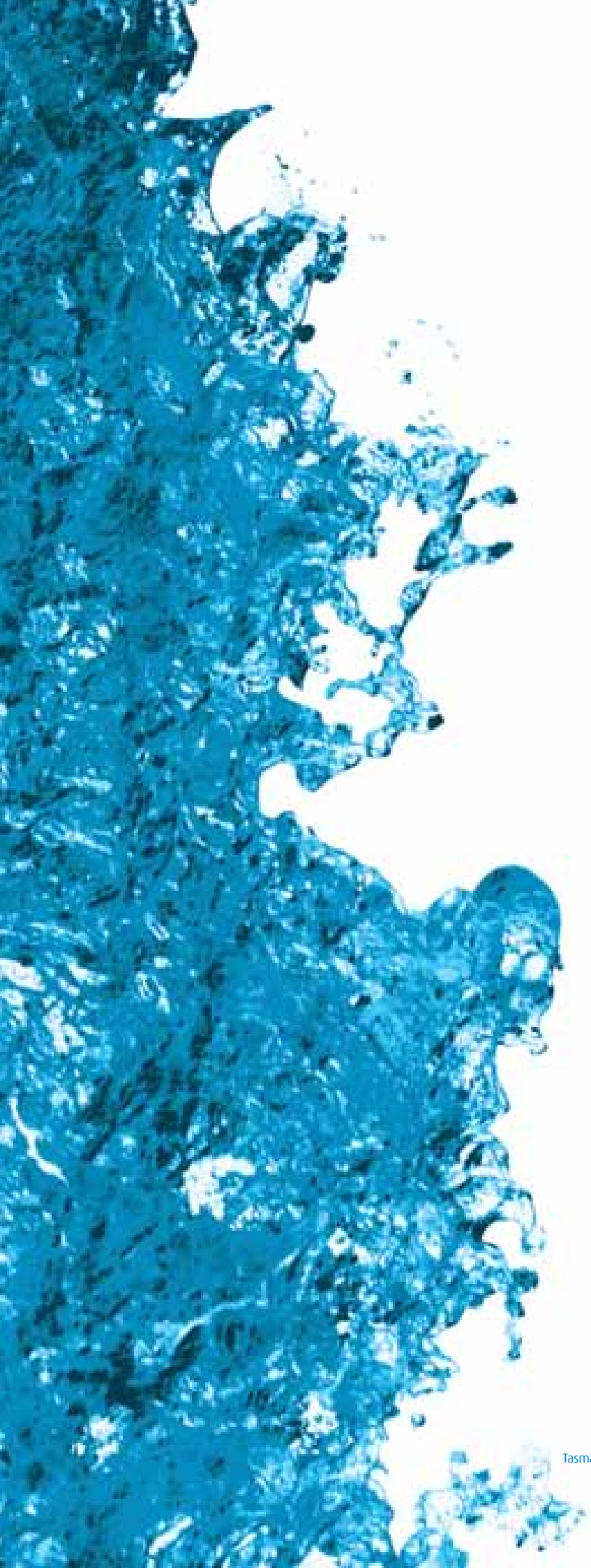
preparing for the future

ANNUAL REPORT 2011-2012

cradle mountain WATER



Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Limited

cradle mountain WATER

Contents

About Cradle Mountain Water

Cradle Mountain Water has the responsibility for managing the delivery of high quality water and sewerage services to homes and businesses across North West Tasmania. We are owned by the nine councils of North West Tasmania.

Owner Councils

Burnie City Council

Central Coast Council

Circular Head Council

Devonport City Council

Kentish Council

King Island Council

Latrobe Council

Waratah-Wynyard Council

West Coast Council

Owners' Representatives

Under the *Water and Sewerage Corporations Act 2008* (WSCA), the nine council owners of Cradle Mountain Water are required to appoint three Owners' Representatives. Their role is to provide a liaison point between the Board and the Corporation's Owners.

The Owners' Representatives are:

Ald. Steven Kons

Mayor of Burnie City Council

Chair of the Owners Representatives

Cr. Jan Bonde

Mayor of Central Coast Council

Cr. John Perkins

Latrobe Council

Directors

The current Directors of Cradle Mountain Water are:

Mr Miles Hampton, Chairman

Mr Grant Atkins

Mr Brian Bayley

Ms Sarah Merridew

Dr Dan Norton

Vision

Cradle Mountain Water will protect public health, improve the environment, provide exceptional quality services and deliver successful economic and social outcomes for our customers, now and in the future.

Mission

To supply our customers with quality water and wastewater services that meet their expectations and regulatory requirements, and delivers our shareholders sustainable returns on their investment.

2011 – 12 at a glance

Scope of Business	
Number of sewage treatment plants	27
Number of water treatment plants	17
Number of water pumping stations	61
Length of water mains (km)	1,389
Number of water distribution storage facilities	86
Number of sewage pumping stations	250
Length of sewerage mains and channels (km)	1,197
Total sourced water (ML)	17,223
Population receiving water supply services#	105,559
Population receiving sewerage services#	98,616
Total connected properties – water supply*	43,983
Total connected properties - sewerage*	41,090
* Total connected properties does not include properties that are charged but not connected.	
# Based on the number of connected properties multiplied by 2.4 (average household size for Mersey/Lyell and King Island ABS Districts, 2006 Census data).	

2011 – 12 Highlights

- Preparation, negotiation and finalisation of the 2012 – 2015 Price and Service Plan.
- Reduction in Cradle Mountain Water's Lost Time Injury Frequency Rate (LTIFR) from 16.2 to 12.3.
- Delivery of $26.4 million in Capital Works.
- Implementation of quarterly customer billing.
- Completed construction of Waratah Water Treatment Plant.
- Installation of emergency asset replacements at Lee Street Smithton and the Simplot sewer rising main in Ulverstone.
- Completed the installation of 12,300 water meters to residential and business properties.
- Commenced the Supervisory Control and Data Acquisition (SCADA) project which will result in operational efficiencies across our plants.
- Reduction in pump station overflows from 84 events for the previous year to 48 events in 2011-12.
- Finalisation of the Dam Management Plan.
- New operating licences for Tullah and Sheffield Sewage Treatment Plants.

Chairman's Report

The Year under Review

In each of our first two years of operation, Cradle Mountain Water confronted significant challenges as we sought to become fully functional as a newly established, standalone business.

In the year under review we continued to face a number of significant challenges. The demands on our people have been extraordinary but through their efforts, 2011-12 has been another year of significant progress.

In 2011-12 we had before us two very significant non-negotiable deadlines: the legislated introduction of two-part pricing by 1 July 2012, which involved the installation of more than 12,300 water meters across North Western Tasmania, and the preparation and finalisation of our Price and Service Plan for the three years commencing 1 July 2012.

The meter installation program was delivered within budget, a credit to all involved in the planning and management 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 Office of the Tasmanian Economic Regulator largely endorsed the Price and Service Plan prepared by Cradle Mountain Water reflects the effort and thought that underpinned our Plan.

The approval of the Price and Service Plan means that from 1 July 2012 our customers will move to a fairer and more equitable pricing regime for water and sewerage services. Over time, customers with like services will pay like charges, irrespective of where they live in the North West region.

The fact that we met the 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, construction of the new Waratah Water Treatment Plant was completed and officially opened in August, 2012. The new plant is providing the Waratah community with fully treated water. We also commenced the replacement of a major sewer main in Smithton.

The implementation of our new billing system has led to significant progress in improving the timeliness and accuracy of billing services and has 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 Board of Cradle Mountain 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 state-wide 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 will enable financial savings of some $2.3 million per year.

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 Cradle Mountain 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 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 Cradle Mountain Water will support and encourage employees through this period of transition.

I commend the commitment and professionalism of our CEO, Andrew Kneebone, and his executive team, the hard work and perseverance of our employees and the diligence and support of my fellow Directors.

Miles Hampton
Chairman

Chief Executive Officer's Report

Financial Results

The net profit after tax for 2011–12 was $0.462 million. The result was impacted by

- lower than anticipated revenue from developers,

and higher costs associated with;

- de-sludging of Sewage Treatment Plants to discharge quality compliance,
- higher employee related costs; and
- doubtful and bad debts.

Some significant one off items impacted the profit result including the write back of an early contract termination fee that had been previously booked to revenue.

Operations

During 2011-12 we focussed on the identification and implementation of operational efficiencies across all aspects of our business.

We also maintained our efforts to establish a "no harm" workplace culture.

The introduction of technology to capture performance data in the field has enabled us to improve operational efficiency and customer service through:

- Field service staff being able to make real time adjustments to the location of assets in our Geographic Information System.
- Improved accuracy of our information which results in better customer service reporting.
- Tracking the costs of repairs in order to achieve greater efficiencies.

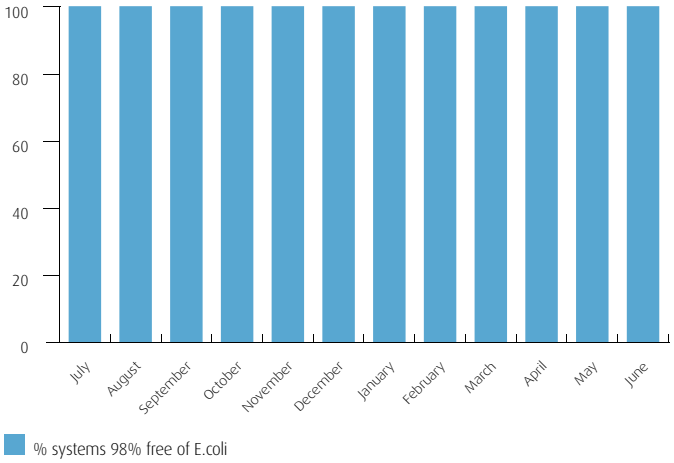
The highlight for the year in the area of water quality was the installation of a new water treatment plant at Waratah. This innovative "modular style" membrane filtration water treatment plant includes fluoridation and chlorination that complies with industry best practice. The mains power is supplemented by solar power.

Several other significant water projects continue to make good progress over the period including the Paloona Pipeline which will provide fully treated water to the Kelsey Tiers region. Also the provision of filtration to improve the quality of the Mountain Creek supply to Rosebery, and the implementation of critical control instrumentation for the control of chlorine and fluoride compliance at a number of treatment plants.

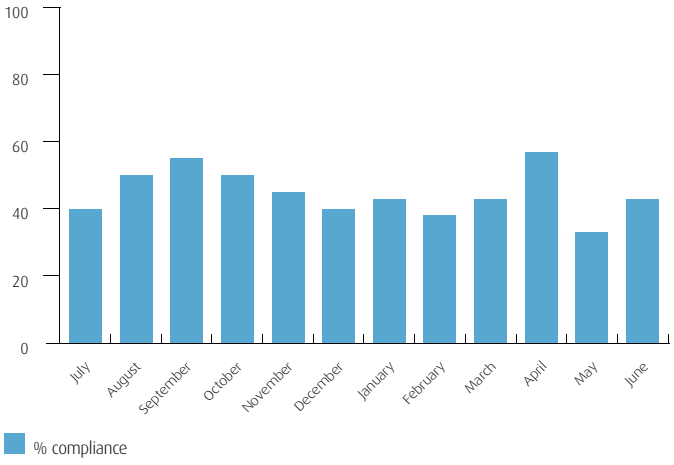
While the Queenstown water treatment plant was officially opened last year, quality issues have not yet been rectified. It is anticipated that the outstanding issues will be resolved early in the new financial year.

The plans for improved water quality for King Island continue to progress following a community forum that was held to address concerns regarding the project.

Water Quality Compliance



EPA Compliance 2011-2012



Note to graph: Should one licence parameter be breached the entire plant is deemed to be non-compliant, as defined by the National Performance Framework.

Ongoing improvements to our water treatment plants will assist us in meeting all obligations in the *Australian Drinking Water Quality Guidelines*. Of most importance is bacteriological compliance and in 2011-12 our water treatment plants continued to achieve 100% compliance with this parameter (refer Graph 1).

There has been a significant number of incremental process and minor infrastructure improvements to our sewerage assets over the period. Consequently, an improvement in effluent production that complies with our discharge licences has been achieved. Average compliance overall across all of the plants for 2011-12 was 44.75% (refer Graph 2).

The sewerage network has experienced a number of major challenges including the replacement of the Simplot rising main in Ulverstone, the repair of the Ulverstone Helen Street Pump station, the completion of East Devonport North Caroline Street Pump Station and the replacement of a Smithton major sewer main.

During the year, our teams responded to 5,197 reactive orders and 1,587 standing service orders for programmed maintenance for water and sewerage services.

Our Customers

Significant milestones have been reached by our Customer Service Team during the 2011-12 financial year including:

- Full implementation of the new billing system.
- Introduction of quarterly billing.
- Introduction of debtor management systems.
- Upgrade of our call centre phone system.

The key objectives for the 2012-13 financial year will include:

- Implementation of a Customer Service Strategy to increase service levels across the business.
- Improved data validation to minimise billing issues arising from data inaccuracies.
- Improve accessibility of services for customers via online self service.

Key Facts for the 2011-12 Financial Year	
Number of Customers*	45,204
Total calls to 13MYWATER	39,736
Average call waiting time	2 minutes 28 seconds
Service levels (% calls answered within 30 seconds)	41.9%

* Number of customers that are charged by Cradle Mountain Water who have a connection point.

Communications

The finalisation of the Price and Service Plan resulted in a review and significant updating of our website.

This occurred in parallel with a communication campaign to increase awareness of pricing changes that commenced on 1 July 2012.

There was an increased emphasis on improving communication with the media in response to customer complaints. A proactive and transparent approach was adopted, delivering better outcomes for all parties involved.

A communication initiative that has proven extremely beneficial is our Facebook page. Very positive customer relationship outcomes have been experienced due to its "instant nature" to respond to customer issues. Further emphasis will be placed on raising the profile of this medium in the next twelve months.

People and Culture

Our People

The majority of our people-based initiatives are centred on improved communication. With the current employee intranet going 'live' in August 2011, this significantly improved accessibility to information for our employees. Employees can now easily access their payroll information, apply for leave online and download a number of relevant policies, procedures and forms.

In May 2012, we conducted a series of employee forums and explained the focus of the Corporation's activities over the 2012-13 financial year.

The engagement was further reinforced with the finalisation of our performance review and development planning program; a key outcome was the establishment of performance objectives for 2012-13 for every employee.

We congratulated several employees for achieving significant years of service. Ashley Gale achieved 35 years and David Walmsley, Robert Walters, and Michael Beamish achieved 25 years service. Reaching 20 years of service were Geoffrey Hyland, Dale Auton, Gregory Coombes, Judith Ray and Phillip Benson. 10 years of service has been achieved by Timothy Flack and Peter Morice.

Diversity Statistics as at 30 June 2012 (full-time equivalents)

	Male		Female	
Cradle Mountain Water Board	4	80%	1	20%
Senior Management	3	50%	3	50%
Permanent Workforce#	123.9	85%	22.1	15%
#excluding senior management and temporary staff.				

Health and Safety

Our "No Harm" objective has provided the impetus behind a number of health and safety initiatives over the past twelve months.

Particular attention has been paid to high risk activities, such as handling of hazardous chemicals, working at heights, asbestos awareness and excavation/trenching and shoring. This has necessitated the development of procedures and work instructions, provision of training and ongoing communication activities. A full audit was completed of all above-ground facilities in order to comply with the National Asbestos Code, including the development of an Asbestos Register.

All employees conducting identified "high risk" activities are competency assessed every two years. Another activity over the past year which is key to ensuring the safety of our workforce and contractors, has been the significant, ongoing consultation with key stakeholders regarding introduction of an *Alcohol and Other Drugs CEO Directive* and associated procedure. This directive will be implemented early in 2012-13.

We engage a large number of contractors and we conducted 537 contractor safety inductions during the year.

We are well advanced in planning for the introduction of the *Work Health and Safety Act* in January 2013 as part of the national "harmonised" approach to Health and Safety.

Our commitment to workplace safety was recognised in the 2011 WorkSafe Tasmania Awards in October and we were a "finalist" and "highly commended" in the Best New Worker Program.

Whilst we have a long way to go it is pleasing to note that our LTIFR was reduced from 16.2 in 2010-11 to 12.3 in 2011-12.

Training and Development

It is a priority for us to ensure that employees are provided with every opportunity to achieve their potential and that they have the skills to work safely at all times.

A total of 1,119 training attendances were recorded for 2011-12. Currently, we have 40 employees enrolled in qualifications at Certificate III level or higher.

We were fortunate to be awarded funding for 22 employees to undertake Certificate III level training or higher under the Productivity Places Program, a joint Commonwealth/ State funded program that aims to substantially increase the number of workers with higher qualifications.

Funding was also received under the Workplace English Language and Literacy Program, an Australian Government initiative to assist workplace training where language, literacy or numeracy support is needed.

Training needs are being regularly reviewed through an up-to-date functional needs analysis of all existing positions.

Price and Service Plan

The development of the Price and Service Plan was a major project in 2011-12. This plan sets the prices and service standards for the organisation for the next three years, commencing on 1 July 2012.

The objectives of the plan are to:

- Over time, transition existing customer tariffs to 'target tariffs' that achieve equity pricing over the region.
- Improve product and customer service standards.
- Set price paths which minimise price shocks to customers.

This major project incorporated:

- Forecasting demand on our services.
- Analysing our current and potential revenue and expenditure.
- Determining types of regulated services and charging arrangements.
- Setting prices that take into consideration the removal of 'water allowances'.
- Community and stakeholder engagement.
- Consultation with Regulators.

Development Applications

During the year, 345 development applications and 187 building applications were processed, compared with 347 development applications and 154 building applications from the previous year.

We finalised service arrangements with a number of substantial projects, including the Harvey Norman Homemaker Centre in Devonport, the Tasmanian Dairy Products Co Ltd milk processing development in Smithton and the Lion Ltd cheese factory development in Burnie.

Capital Works Program and Highlights

Capital Works

A total of $26.4 million in capital works was expended in 2011-12.

North Caroline Street Sewage Pump Station, Devonport (Project Budget $2.8 million – this year $0.8 million)

This is the largest sewage pump station in Devonport. It receives sewage from properties in West Devonport and pumps it to the Pardoe Treatment Plant.

Servicing and refurbishment of the old pump station has been completed and a new by-pass pump installed to increase capacity. A significant odour problem has been overcome by the installation of an odour control system. An emergency generator has been installed and power failures should not impact upon the operations of the pump station. The upgrade is scheduled for completion in early 2012-13.

Water Metering Project ($5.2 million)

A total of 12,300 meters were installed during the year on un-metered properties and replacement of old meters. Funding of $1.95 million was received from the Commonwealth Government for this project.

Sewage Treatment Plant Compliance ($3.7 million)

Cradle Mountain Water is placing a priority on improving the treatment efficiency which also enhances compliance of our sewage treatment plants. Prioritising of the planned works was achieved through the development of the Wastewater Management Plan.

Improvements typically include upgrade of controls, process modifications, reduction of inflow and infiltration and upgrade of disposal infrastructure. The plants where work has commenced are Sheffield, Wynyard, Smithton, Railton, Ulverstone, Burnie, Boat Harbour, Port Sorell and Pardoe (Devonport).

Dam Safety and Compliance Works Upgrades

A five year Dam Safety Plan has been developed that identifies work required to improve storage capacity and water flows. These include interventions such as spillway upgrades, flow measurement to monitor seepage, pipe work and valve enhancements. Major projects that followed from this are:

- Lake Isandula (Gawler) - Upgrade of spillway completed in December 2011.
- Conglomerate Creek Dam (Queenstown) - Safety review which is scheduled for completion in October 2012.
- Pet Dam (Ridgley) - Upgrade of valves and pipe work in the outlet tower which is scheduled for completion in December 2012.

Upgrade of Smithton Sewer Main ($3.5 million)

The replacement of 1.8 km of the Smithton sewer main is progressing well. This pipeline is one of the three main sewers in Smithton. The project also involves the installation of an odour control unit. The sewer construction is due for completion in early 2012-13 in time to accept effluent from the new Tasmanian Dairy Products Co Ltd milk processing factory. The odour control is planned to be operational early in 2013.

Inflow and Infiltration Investigations and Interventions ($1.1 million)

Cradle Mountain Water has launched an intensive inflow and infiltration reduction program in Rosebery, Latrobe and Sheffield. The purpose of this project is to reduce the volume of stormwater that enters the sewerage system imposing hydraulic load on the pipe network, pump stations and the treatment plant. Manhole inspections and smoke and dye testing to identify points of ingress will be completed in early 2012-13. Testing data will be reviewed and a works program will be developed to address the identified problems. A budget allocation of $1.1 million is available for remediation in the selected areas.

Supervisory Control and Data Acquisition (SCADA) System Upgrade (Budget $7.2 million over eight years)

Cradle Mountain Water is seeking to enhance and standardise our current SCADA and telemetry systems. The project will also deliver efficiencies through improved serviced provision through local and remote monitoring, alarming and control of all installations (treatment plants, pump stations). The installation of the SCADA central control system is finished and remote sites will be progressively connected as the upgrades are completed. The project will run over a period of eight years, upgrading sites according to risk and criticality.

Geographic Information System (GIS) ($0.46 million for this year)

The focus of the GIS during 2012-13 will be to respond to the corporate requirements of providing web and mobile solutions for Cradle Mountain Water. This will be achieved through the continued process of developing our ability to capture and validate data through our mobile solution (e-book) and web-based GIS interface.

Replacement of Access Ladders and Pit Lids (Budget $2.047 million over five years)

In line with Cradle Mountain Water's emphasis on occupational health and safety, this project involves the replacement or modification of sewage pump station access lids with purpose designed lightweight lids with special safety features. This is an ongoing project expected to be completed over the next five years.

Waratah Treatment Plant ($1.6 million)

A new water treatment plant has been constructed for Waratah consisting of the latest technology membrane filtration. Construction was completed, the plant commissioned then officially opened in August, 2012.

Major Planning Initiatives

King Island – Currie – Grassy Water Supply System

The aim of this project is to improve the security and quality of the water supply to Currie and Grassy. Planning includes for the scheme to be implemented in progressive stages, with project completion scheduled for 2017. The design concept and the cost estimates of the scheme are being developed.

Helen Street Pump Station, Ulverstone (Budget $1.5 million)

Planning, design and tenders were sought for the upgrade to the Helen Street Pump Station. This will involve the replacement of pumps, installation of odour control and a standby generator to provide emergency power. Contracts have been awarded and work commenced onsite in August 2012.

Burnie/Cam Link Water Main ($3.5 million)

The objective of this project is to provide Somerset and Wynyard with treated water from the Burnie reticulation system through a new linking water main. Discussions with land owners and detail design works are progressing. The construction of the water main is expected in 2015-16.

Dam Management Plan

This year saw the implementation and completion of the Dam Management Plan. The plan provides an overview of 15 dams owned and managed by Cradle Mountain Water. The plan contains information about the effective management of the dams to ensure they comply with safety requirements.

The Dam Management Plan is the final plan we are required to develop by the dam safety regulator and then report on compliance each year. This plan complements the suite of plans that come under the Asset Management Plan:

- Wastewater Management Plan.
- Drinking Water Quality Management Plan.
- Emergency Management Plan.

These management plans provide the basis for continued improvements in our infrastructure and systems. The outcomes and priorities of the plans were used for developing the Price and Service Plan, which is the foundation for the annual Corporate Plan.

Complaints and Information Requests

Complaints to the Ombudsman

A total of 28 complaints were escalated to the Ombudsman during the year.

Information Requests

This year we received only one request for information under the *Right to Information Act 2009*. This request related to water quality analyses.

There were no appeals and no disclosures made under the *Public Interest Disclosures Act 2002*.

Looking to the Future

Our key objectives for the year ahead are:

Our Customers

- Through the implementation of a Customer Service Improvement Strategy, the Corporation establishes a plan to achieve the service standards outlined in our Price and Service Plan.

Our People

- The completion of the work force optimisation study will ensure we have the right numbers of people with the right skill mix, in the right places, to deliver improving levels of service.
- Through the ongoing implementation of our No-Harm philosophy.

Our Processes

- Through ongoing review of our key processes used to deliver our services, we continue to strive for operational excellence and efficiency with a target of annual cost growth at or below CPI -1%.

The continued focus on communication and consultation with staff, customers and other stakeholders will be pivotal in moving forward successfully.

I would like to thank the Board, the executive and management team and all Cradle Mountain Water employees for their ongoing commitment to our organisation and our customers.

Andrew Kneebone

Chief Executive Officer

Corporate Governance

Governance is an umbrella term that covers the administration of an organisation, and the interaction between its Board, senior management and corporate stakeholders. At Cradle Mountain Water governance is an on-going process of:

- Setting appropriate strategic direction to ensure we remain a sustainable, resilient organisation.
- Managing risk to mitigate loss and seize opportunity.
- Engaging with stakeholders and the community to ensure we understand our obligations and meet their expectations.
- Making decisions supported by solid analytical evidence.

We are committed to good governance to provide a transparent, accountable, fair and responsive approach for directing and controlling the organisation. We achieve good governance through:

- Clearly defined roles and responsibilities for the Board, the Chief Executive Officer and executive management team.
- Implementation of a governance framework that aligns with ASX corporate governance principles. A report on compliance with the governance principles is available on our website www.cmwater.com.au
- Establishment of Board Committees.
- Implementation of numerous strategic policies and procedures at all levels throughout the organisation.

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

Legislative Authority and Formal Governance

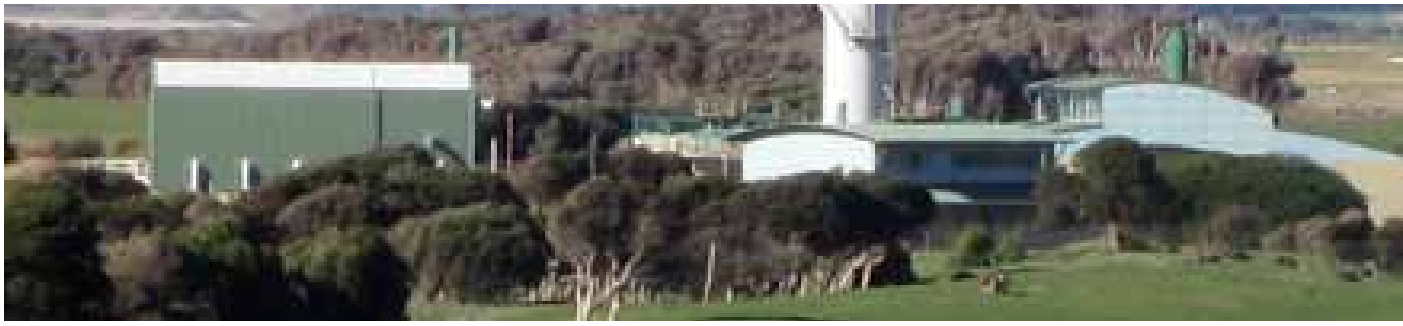
Cradle Mountain Water was formed on 13 November 2008 under the *Corporations Act 2001* and pursuant to the *Water and Sewerage Corporations Act 2008* (WSCA). It is governed by the Constitution for the Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Limited, which is approved by the Tasmanian Parliament.

The WSCA mandates governance features including the rights and responsibilities of our owner councils, and the sections of the *Corporations Act 2001* that are formally displaced and therefore, do not apply.

The primary purposes of the Corporation are:

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

We are owned in equal shares by the nine local government councils in the North-Western region and, as such, are subject to the Shareholder's Letter of Expectations (SLE). The SLE communicates the high-level performance expectations and strategic priorities to our Board.



We are 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 loan guarantee fees to our owners.

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. A summary of this information is available in the Governance section of our website.

The WSCA prescribes the composition of the Boards of all four Tasmanian Water and Sewerage Corporations. This is significant to Cradle Mountain 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.

Directors' Background, Terms and Meeting Attendances

Miles Hampton
BEc (Hons), FCPA, FCIS, FAICD

Appointed Director 26 November 2008
Appointed Chairman 1 January 2011

Mr Hampton was appointed Chairman of the four Tasmanian Water and Sewerage Corporations in January 2011, having been a Director of the Corporations since November 2009.

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

In a related capacity, Mr Hampton is a member of the Infrastructure Advisory Council and the Tasmanian Planning Commission. These appointments relate to the role of Chairman of the water Corporations and his involvement is prescribed under the relevant Tasmanian legislation.

Mr Hampton is a director of MyState Limited, Australian Pharmaceutical Industries Ltd, Forestry Tasmania and the Van Diemen's Land Company. He is Chairman of the UTAS Foundation.

He was Managing Director of ASX listed agribusiness, Roberts Limited, for 20 years until his resignation in 2006.

Grant Atkins
FLGMA, FAICD, JP

Appointed 26 November 2008 Term 1

Mr Atkins is former General Manager of the Latrobe and Kentish Councils and is also a Director with the Dulverton Waste Management Authority.

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

Brian Bayley
DipCivEng

Appointed 26 November 2001

Mr Bayley has over 35 years experience in the water industry, holding the position of Managing Director of Melbourne Water for seven years, up until 2005. He is also a former Chairman and Director of both the Water Services Association of Australia and the Victorian Water Association.

Mr Bayley is currently a Civil Engineering Consultant and brings a broad portfolio of industry knowledge and change management experience to the Corporation.

He is the Chairman of the Safety and Health, Environment and Public Health Committee for all Tasmanian Water and Sewerage Corporations.

Sarah Merridew

BEc, FCA, FAICD

Appointed 10 March 2011

Ms Merridew is a Chartered Accountant and a Director of MyState Limited and Tasmanian Railway Pty Ltd.

She is Honorary Treasurer of the Royal Flying Doctor Service Tasmania Inc. and actively involved with other community organisations.

Ms Merridew is a former Director of Tasmanian Public Finance Corporation and a partner of Deloitte Touche Tohmatsu. She has extensive experience in providing audit, risk management, governance, and business advisory services to the public and private sectors.

Ms Merridew is the Chair of the Audit and Risk Committees for all four Tasmanian Water and Sewerage Corporations.

Dr Daniel Norton

BAgricSci (Hons), MEcon, PhD in Economics and Business, International Advanced Management Program.

Appointed 26 November 2008

Dr Norton is an experienced Chairman and CEO who has worked in the electricity industry, central government agencies and in international commodity marketing.

He has first-hand experience across a broad range of areas including electricity, transport (including ports and rail), privatisation and corporatisation, financial management reform, education, water services, health services, information and communications technology, agricultural marketing and public sector management.

His other current Board appointments include Chairman, Tasmanian Ports Corporation Pty Ltd, Chairman Menzies Research Institute Tasmania and Deputy Chairman Aurora Energy Pty Ltd.

Tony MacCormick

BChemEng (Hons), DipBus, FAICD

Appointed 26 November 2008 Term 1, resigned 23 November 2011

Mr MacCormick was formerly the Chair of Cradle Coast Water, before taking up a directorship with Cradle Mountain Water. He was also a Director of the Dulverton Waste Management Authority whilst a Director of Cradle Mountain Water.

Mr MacCormick brought to the Board extensive experience in the water industry with Siemens Water Technologies and was a Director of the Cooperative Research Centre for Waste Management and Pollution Control.

Table 3 Meeting Attendances 2011-12

	Board Meetings (14 held)		AAR Committee (5 held)		SHREP Committee (4 held)		Strategic Workshop (1 held)	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
Miles Hampton	14	14	5	5	3	4	1	1
Grant Atkins	12	14	4	5	4	4	1	1
Brian Bayley	14	14	1	0	4	4	1	1
Tony MacCormick (resigned 23 November 2011)	8	8	1	0	1	1	0	0
Sarah Merridew	13	14	4	5	0	0	1	1
Dr Dan Norton	14	14	5	5	2	2	1	1

Board Committees

The Board assumes overall responsibility for corporate governance and monitors the performance of the Corporation, both directly and through the following Board Committees:

- Audit and Risk Committee.
- Safety, Human Resources, Environment and Public Health Committee.

Audit and Risk Committee (AAR)

The AAR Committee is responsible for ensuring that the Corporation's accountability and control frameworks are appropriate and effective. This is achieved through the review, monitoring and, where necessary, recommendation of improvements to the:

- Internal control processes.
- Financial reporting processes.
- Corporation's internal audit function.
- Risk management and compliance processes.

The Committee met five times during 2011-12 and comprises three non-executive directors: Sarah Merridew (Chair), Grant Atkins and Dr Dan Norton.

Safety, Human Resources, Environment and Public Health Committee (SHREP)

The role of the Safety, Human Resources, Environment and Public Health Committee is to assist the Board in fulfilling its responsibilities relating to:

- Workplace health and safety.
- Human resource management and development.
- Employee remuneration and performance management.
- Environmental management and compliance.
- Public health performance and compliance.

In March 2012, the SHREP Committee reviewed its charter to remove human resource management and development, employee remuneration, and performance management; returning oversight of these areas to the Board.

The SHREP Committee met four times during 2011-12 with the Committee's composition changing during the course of the year. At year end the Committee comprised of three non-executive Directors: Brian Bayley (Chair), Grant Atkins and Dr Dan Norton.

Directors' Report

The Directors of Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd, trading as Cradle Mountain 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 North-Western 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 44,000 properties were provided with services involving the provision of water and removal of wastewater.

The Corporation reported a profit after tax of $462,000 for the year ended 30 June 2012 (2010-11: $ 1,874,000).

A more detailed review of the Corporation's operations during the year is contained elsewhere in this 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 an agreed Wastewater Management Plan with the Environmental Regulator outlining initiatives and implementation schedules to address the Regulator's priorities.

Dam Portfolio

The Corporation manages its dams using a Risk Assessment and Mitigation process, with the aim of compliance with National Council on Large Dams (ANCOLD) Dam Safety Management Guidelines 2003. Those dams that fall outside any criteria of the Guidelines, including the Societal Risk Criteria, are being managed under a Dam Safety Management Plan which has been provided to the Tasmanian Dam Safety Regulator. An annual report is provided to the Dam Safety Regulator regarding the status of all dams and the Corporation has an obligation to immediately advise the Regulator of adverse developments in dam status.

Dividends

The Directors did not declare an interim dividend during the 2011-12 financial year.

In light of the cash position of the Corporation, the Directors have resolved not to declare a final dividend for 2011-12, (2010-11: $Nil). In accordance with accounting standards, no final dividend is recognised in the financial statements unless they are declared prior to the balance date.

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.

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.

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

Remuneration of Directors and Senior Management

Remuneration Report

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of the Corporation's Directors and its senior executives for the financial year ended 30 June 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 Grant Atkins
- Mr Brian Bayley
- Ms Sarah Merridew
- Dr Dan Norton
- Mr Tony MacCormick
  Resigned 23 November 2011

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

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

- Mr Andrew Kneebone (Chief Executive Officer)
- Mr Doug Doherty (Executive Manager – Chief Operating Officer)
- Ms Julie Poole (Executive Manager – Customer Services)
- Mr Graeme Rocke (Executive Manager – Commercial Services)
- Ms Louise Maconachie (Executive Manager – Regulation – appointed 19 September 2011)
- Ms Sandra Wilson (Executive Manager – People and Culture - appointed 17 October 2011)

- Mr Barry Omundson (Executive Manager – Operations – resigned 23 September 2011)
- Mr Ian Hutchinson (Executive Manager – People and Culture – resigned 14 October 2011)

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.

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* (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.

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 which include performance-based payments. 'Senior executive performance objectives are established annually'. The CEO's performance is reviewed by the Board at least annually. For other senior executives, the CEO reviews performance and reports to the Board at least annually 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	
Non-executive Directors	Fees	Bonus	Super-annuation	Total	Fees	Bonus	Super-annuation	Total
	$	$	$	$	$	$	$	$
Mr Miles Hampton – Chair	36,348	-	3,271	39,619	26,616	-	2,395	29,011
Mr Geoff Willis (Former Chair, retired 31/12/10)	-	-	-	-	18,063	-	1,626	19,689
Mr Grant Atkins	33,580	-	3,022	36,602	29,039	-	2,614	31,653
Mr Brian Bayley	21,665	-	1,950	23,615	17,326	-	1,559	18,885
Mr Tony MacCormick (resigned 23/11/11)	12,818	-	1,154	13,972	28,845	-	2,596	31,441
Ms Sarah Merridew	20,252	-	1,823	22,075	5,232	-	471	5,703
Dr Dan Norton	21,909	-	1,972	23,881	20,261	-	1,823	22,084
Total	**146,572**	**-**	**13,192**	**159,764**	**145,382**	**-**	**13,084**	**158,466**



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

	2012 Financial Year		2011 Financial Year	
	Base	Total	Base	Total
$30,000 - $39,999	1	-	-	-
$40,000 - $49,999	1	-	-	-
$60,000 - $69,999	-	1	-	-
$70,000 - $79,999	1	2	-	-
$80,000 - $89,999	1	-	1	-
$90,000 - $99,999	1	1	1	1
$100,000 - $109,999	-	-	-	1
$110,000 - $119,999	-	1	1	-
$120,000 - $129,999	-	-	1	-
$130,000 - $139,999	1	-	-	2
$140,000 - $149,999	1	-	1	-
$150,000 - $159,999	-	1	-	-
$160,000 - $169,999	-	1	1	1
$180,000 - $189,999	-	-	-	1
$190,000 - $199,999	-	-	1	-
$200,000 - $209,999	1	-	-	-
$220,000 - $229,999	-	-	-	1
$230,000 - $239,999	-	1	-	-
	8	8	7	7

Base = Base salary

Total = Total salary including 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 total employment cost 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 minimum superannuation guarantee contribution, which is currently 9%, and 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 of the Corporation 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 between three to six 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.

Independent Directors

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

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

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

Indemnification of Directors and Officers

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

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

Proceedings on Behalf of the Corporation

No person has applied for leave of the Court to bring proceedings on behalf of the Corporation or 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 28.

Rounding Off of Amounts

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

Sarah Merridew
Director

10 August 2012

Financial Report

Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

10 August 2012

The Board of Directors
Tasmanian Water and Sewerage Corporation
(North-Western Region) Pty Ltd
162 Pumping Station Road
FORTH TAS 7310

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 (North-Western 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

10 August 2012

FINANCIAL REPORT 1 JULY 2011 TO 30 JUNE 2012
DIRECTORS' DECLARATION

The directors declare that:

a) The attached financial statements and notes thereto comply with accounting standards;

b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Corporation;

c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth); and

d) In the Directors' opinion, there are reasonable grounds to believe that the corporation will be able to pay its debts as and when they become due and payable.

e) The Directors have been given the declarations as set out in Section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.

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

Miles Hampton
Chair

Sarah Merridew
Director

Tasmanian Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Members of Tasmanian Water and Sewerage Corporation (North-Western 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 (North-Western 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

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

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Notes	**2012 $'000**	2011 $'000
Continuing Operations			
Sales Revenue	4	52,041	48,189
Other Income from Operating Activities	4	1,225	3,017
Share of Net Profit of Associate - Equity Method	22	14	43
Raw Materials and Consumables	5	(4,928)	(4,390)
Depreciation and Amortisation Expenses	5	(12,698)	(12,424)
Employee and Related Expenses	5	(13,782)	(12,408)
Operations and Maintenance Expenses	5	(6,926)	(5,841)
Administration Expenses	5	(8,082)	(7,910)
Net Profit before Net Financing Costs		6,864	8,276
Financing Income	4	81	69
Financing Expenses	5	(6,291)	(5,568)
Net Financing Costs		(6,210)	(5,499)
Net Profit before Income Tax Equivalents Expense		654	2,777
Income Tax Equivalents Expense	6.1	(192)	(903)
Net Profit after Income Tax Equivalents Expense	12.1	462	1,874
Other Comprehensive Income			
Actuarial Gain (Loss) on Defined Benefit Plan	13.2	(87)	190
Share of other comprehensive losses of Associate	22	(51)	(19)
Income tax relating to components of other comprehensive income	6.2	26	(57)
Total Comprehensive Income for the Financial Year		350	1,988

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

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Statement of Financial Position

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Notes	**2012 $'000**	2011 $'000
Current Assets			
Cash and Cash Equivalents	8.1	2,327	2,676
Receivables	8.2	14,966	12,818
Inventories	8.3	955	849
Prepayments		133	99
Total Current Assets		18,381	16,442
Non-current Assets			
Property, Plant and Equipment	9	418,890	405,316
Intangibles	10	1,926	1,511
Deferred Tax Assets	6.4	5,466	4,898
Investment in Associate	22	1	38
Total Non-current Assets		426,283	411,763
Total Assets		444,664	428,205
Current Liabilities			
Borrowings	11.1	25,613	10,940
Employee Benefits	11.2	3,354	3,169
Payables	11.3	6,564	4,235
Unearned Income	11.4	253	123
Current Tax Liability	6.3	39	836
Total Current Liabilities		35,823	19,303
Non-current Liabilities			
Borrowings	11.1	70,650	72,729
Employee Benefits	11.2	1,119	989
Unearned Income	11.4	3,571	1,917
Deferred Tax Liabilities	6.4	6,812	6,928
Total Non-current Liabilities		82,152	82,563
Total Liabilities		117,975	101,866
Net Assets		326,689	326,339
Equity			
Retained Profits (Accumulated Losses)	12.1	1,581	1,231
Contributed Equity	12.2	325,108	325,108
Total Equity		326,689	326,339

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

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Statement of Cash Flows FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Notes	**2012 $'000**	2011 $'000
Cash Flows from Operating Activities			
Receipts from Customers		49,639	47,364
Receipts from Other Sources		276	1,391
Payments to Suppliers and Employees		(35,233)	(34,270)
GST Net Received		3,884	2,639
Interest Received		81	69
Interest Paid		(5,326)	(4,819)
Government Guarantee Fees Paid		(860)	(771)
Income Tax Equivalents Paid	6.3	(1,647)	(1,278)
Net Cash from Operating Activities	19.1	10,814	10,325
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(22,535)	(13,861)
Payments for Capitalised Employee and Direct Costs		(3,033)	(2,595)
Payments for Interest		(474)	(480)
Proceeds from Sale of Property, Plant and Equipment		334	3,102
Net Cash from / (Used in) Investing Activities		(25,708)	(13,834)
Cash Flows from Financing Activities			
Proceeds from Borrowings		17,741	19,816
Repayment of Borrowings		(5,146)	(14,702)
Government Funding - Commonwealth		1,950	-
Dividends Paid	12.1	-	(467)
Net Cash from Financing Activities		14,545	4,647
Net Increase (Decrease) in Cash and Cash Equivalents		(349)	1,138
Cash and Cash Equivalents at the Beginning of the Year		2,676	1,538
Cash and Cash Equivalents at the End of the Year	19.2	2,327	2,676

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

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Notes	Retained Profits / (Losses) $'000	Contributed Equity $'000	Total Equity $'000
Balance as at 1 July 2010		(290)	325,108	324,818
Dividends Paid	12.1	(467)	-	(467)
Net Profit after Income Tax Equivalents Expense	12.1	1,874	-	1,874
Other Comprehensive Income		114	-	114
Balance as at 30 June 2011		1,231	325,108	326,339
Dividends Paid	12.1	-	-	-
Net Profit after Income Tax Equivalents Expense	12.1	462	-	462
Other Comprehensive Income		(112)	-	(112)
Balance as at 30 June 2012		1,581	325,108	326,689

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

1 General Information

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd (the Corporation), trading as Cradle Mountain Water, is a propriety limited company incorporated in Australia. The address of the Corporation's registered office is 162 Pumping Station Road, Forth.

The principal activities of the Corporation are the provision of water and sewerage services for residential and commercial customers throughout the North-Western Region 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 or revised Standards and Interpretations which have been adopted in the current period have 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 in regard to the Corporations defined benefit scheme.
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 & 139]

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 2011	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.

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 (Including Irrigation Income)

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

Government Funded Compensation

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. In addition separate funding to specifically support the Corporation over three years 2011-12 to 2013-14 has also been provided. 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 equivalents expense on the profit for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Income tax equivalent payments are distributed to owner councils in accordance with the 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).

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 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 (WAC) basis.

3.9 Receivables

Trade receivables are recognised at their amortised cost less an allowance for impairment losses. The allowance for impaired receivables is calculated as a percentage of overdue receivables balance 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. 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 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. 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, plant and equipment is reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Dams / Earthworks:	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

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.

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

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.

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 not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment based on objective evidence from historical experience adjusted for conditions existing at each balance date.

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

(b) Reversals of Impairment

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

3.15 Employee Entitlements

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

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, rostered days off and time off 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.

(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 ten 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 seven 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, the Public Servants Retiring and Death Allowances Scheme and the provision is fully provided for by the Corporation (refer Note 13). The Corporation also makes superannuation contributions to the Quadrant Defined Benefits Scheme (for former employees of the Burnie City Council, Central Coast Council, Devonport City Council, Latrobe Council and West Coast Council).

The provision in relation to the Retirement Benefits Fund Scheme is based on an actuarial valuation conducted by Mercer (Australia) Pty Ltd. The Corporation is not required to hold a provision in relation to the Quadrant Defined Benefits Scheme, the actuarial valuation is conducted by Bendzulla Actuarial Pty Ltd.

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

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

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.

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 Costs

Borrowing costs 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 Costs 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 costs 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

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.

3.21.1 Financial Assets

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

		2012 $'000	2011 $'000
4	**Revenue**		
	Sales Revenue:		
	Water - Service Charge	19,084	16,662
	Sewerage - Service Charge	20,159	18,038
	Water - Usage Charges	4,725	4,606
	Sewerage - Usage Charge	3,703	3,647
	Irrigation Income	118	69
	State Government Funded Compensation (Note 3.4)	1,693	2,442
	State Government Funded Concessions	1,685	1,442
	Other Fees and Charges	874	1,283
	Total Sales	52,041	48,189
	Other Income from Operating Activities:		
	Contributed Assets and Headwork Charges	1,234	1,092
	Government Grants	166	328
	Profit on Disposal of Property Plant and Equipment	22	84
	Recovery Misappropriated Funds (Note 3.22)	-	1,035
	Other	536	478
	Prior Period Credit Adjustment	(733)	-
	Total Other Income from Operating Activities	1,225	3,017
	Financial Income:		
	Interest Earned - Deposits and Investments	81	69
	Total Financial Income	81	69
	Total Revenue	53,347	51,275
5	**Expenses**		
	Raw Material and Consumables:		
	Power Costs	3,055	2,740
	Water Commission Rights	464	393
	Chemicals	1,409	1,257
	Total	4,928	4,390
	Depreciation and Amortisation Expenses:		
	Infrastructure Assets	11,424	11,538
	Software	236	20
	Buildings	49	46
	Other Assets	989	820
	Total	12,698	12,424

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 $'000	2011 $'000
5	**Expenses continued**		
	Financing Expenses:		
	Interest Expense - Borrowings	5,833	5,188
	Less Amount Capitalised [1]	(474)	(480)
	Interest Expense - Superannuation	57	77
	Government Guarantee Fee Expense (Paid to owner councils)	869	780
	Losses incurred on restructure of portfolio	6	3
	Total	6,291	5,568
	[1] Average capitalisation rate is 5.26% p.a. (2011: 5.15%)		
	Employee and Related Expenses:		
	Salaries and On-Costs	14,204	12,896
	Less Capitalised Salaries	(2,470)	(2,595)
	Entitlement Allowance	1,449	1,508
	Training and Travel	298	243
	Other	301	356
	Total	13,782	12,408
	Operations and Maintenance Expenses:		
	Maintenance and Planning	4,723	3,847
	Water Sampling	1,143	808
	Property costs	511	246
	Motor Vehicles	903	762
	Supporting Operating Systems and Equipment	209	178
	Less Capitalised Expenses	(563)	-
	Total	6,926	5,841
	Administration Expenses:		
	Insurance	382	330
	Services provided by Associate	3,345	3,469
	Rates, Land Tax and Property Costs	626	816
	Consultancies	509	792
	Leases	264	334
	Information Systems and Communications	703	594
	Misappropriation of Funds	15	26
	Allowances for Impaired Receivables and Bad Debts	632	346
	Corporate Governance	729	672
	Billing including postage, printing and agency fees	286	21
	Other Administration	591	510
	Total	8,082	7,910
	Total Expenses	52,707	48,541

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 $'000	2011 $'000
6	**Income Tax Equivalents**		
6.1	**Income tax equivalents recognised in Statement of Comprehensive Income**		
	Income tax expense (benefit) comprises		
	Current tax		
	Current tax expense/(income) in respect of current year	850	1,055
	Adjustments recognised in the current year in relation to the current tax of prior years	-	(4)
	Total	850	1,051
	Deferred Tax		
	Deferred tax expense/(income) recognised in current year	(655)	(148)
	Total income tax recognised in the current year relating to continuing operations	195	903
	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	654	2,777
	Profit from operations	654	2,777
	Income tax equivalents calculated at 30%	196	833
	Effect of expenses that are non-deductible in determining taxable profit	(1)	-
	Other	-	70
		195	903
	Adjustments in current year in relation to the current tax of prior years	(3)	-
	Income tax equivalents expense (benefits)	192	903
	The tax equivalent rate used in the reconciliations above is the national tax equivalent rate payable 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 gain (loss) on defined benefit plan	26	(57)
	Total	26	(57)
6.3	**Current tax equivalent liabilities**		
	Opening balance	(836)	(1,059)
	National tax equivalent payable - Current year	(850)	(1,055)
	Instalments paid	1,647	1,278
	Total	(39)	(836)

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 $'000	2011 $'000
6	Income Tax Equivalents continued		
6.4	**Deferred tax equivalent assets and (liabilities)**		
	Deferred tax equivalent assets comprise:		
	Tax losses - revenue	2,680	2,822
	Temporary differences	2,786	2,076
	Total	5,466	4,898
	Deferred tax equivalent (liabilities) comprise:		
	Temporary differences	(6,812)	(6,928)
	Net deferred tax equivalent assets (liabilities):	(1,346)	(2,030)

Taxable and deductible differences arise from the following:

30 June 2012	Opening balance $'000	Charged to Income $'000	Charged to Equity $'000	Other Acquisitions / Disposals $'000	Closing balance $'000
Deferred tax equivalent assets:					
Provisions	1,372	152	26	-	1,550
Tax losses	2,822	(175)	-	33	2,680
Other	704	532	-	-	1,236
Total	4,898	509	26	33	5,466
Deferred tax equivalent liabilities:					
Property, plant and equipment	(6,928)	146	-	(30)	(6,812)
Other	-	-	-	-	-
Total	(6,928)	146	-	(30)	(6,812)
Net deferred tax equivalent liabilities:	(2,030)	655	26	3	(1,346)
Attributable to:					
Continuing operations	(2,030)				(1,346)

6 Income Tax Equivalents continued

30 June 2011	Opening balance $'000	Charged to Income $'000	Charged to Equity $'000	Other Acquisitions / Disposals $'000	Closing balance $'000
Deferred tax equivalent assets:					
Provisions	1,253	176	(57)	-	1,372
Tax losses	3,073	(251)	-	-	2,822
Other	706	(2)	-	-	704
Total	5,032	(77)	(57)	-	4,898
Deferred tax equivalent liabilities:					
Property, plant and equipment	(7,152)	224	-	-	(6,928)
Other	(5)	5	-	-	-
Total	(7,157)	229	-	-	(6,928)
Net deferred tax equivalent liabilities:	(2,125)	152	(57)	-	(2,030)
Attributable to:					
Continuing operations	(2,125)				(2,030)

Gross cumulative tax equivalent losses of $8,934,706 (2011: $9,406,571) (Tax effect, 2012: $2,680,412, 2011: $2,821,971) were brought to account as a deferred tax asset. Included in the cumulative tax losses are losses transferred from Cradle Coast 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 sometime 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 that 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 currently 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.

7 Dividends Provided For or Paid

The Directors did not recommend an interim dividend during the 2011-12 financial year (Interim dividend 2010-11: $Nil).

At the date of this report the Board has not recommended the payment of a final dividend for 2011-12 (2010-11: $Nil). In accordance with accounting standards final dividends are not recognised in the financial statements unless they are declared prior to the balance date.

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 $'000	2011 $'000
8	**Current Assets**		
8.1	**Cash and Cash Equivalents**		
	Cash at Bank and on Hand	2,327	2,670
	Cash Management Account with Tascorp	-	6
	Total	2,327	2,676
8.2	**Receivables**		
	Trade receivables	13,474	10,763
	Less allowance for impaired trade receivables	(734)	(444)
	Unbilled water and sewerage income	437	1,389
	Net GST receivable	649	258
	Other current receivables	1,140	852
	Total	14,966	12,818
	An ageing analysis of receivables is provided in Note 20.3 (Credit Risk Management).		
	Movement in allowance for impaired trade receivables.		
	Opening balance	444	100
	Increase (decrease) in allowance	632	346
	Amounts recovered during the year	-	-
	Amounts written off during the year	(342)	(2)
	Closing Balance	734	444
	An allowance has been 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	955	849
	Total	955	849

9 Property, Plant and Equipment

Fair value of assets contributed by the nine owner councils and Cradle Coast Water 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 generating 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 7.27% pa (2011: 7.27%) 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% pa (2011: 2.5%)
Period of discounting	7 years with a terminal value, based on a perpetual factor of 14.53 (2011: 14.53) applied for subsequent years.
Cash inflows	Based on the most recent revenue forecast and Corporate Plan estimates, incorporating a nominal price increase of 6.6% as per the Price and Service Plan. After allowing for CPI, the real price increase is 4.1% pa (2011:4.1%).
Cash outflows	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average cost increase of 3.1% pa (2011: 2.5%) and labour increase of 4% pa (2011: 4.0%). After allowing for CPI the real cost increase is 0.6% (2011: nil) and real labour increase of 1.5% pa (2011: 1.5%) is assumed.

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 $'000	2011 $'000
9	Property, Plant and Equipment continued		
	Infrastructure Assets - Water		
	At Fair Value	224,523	217,735
	Accumulated Depreciation	(17,450)	(11,715)
	Total	207,073	206,020
	Infrastructure Assets - Sewerage		
	At Fair Value	181,942	173,418
	Accumulated Depreciation	(16,845)	(11,230)
	Total	165,097	162,188
	Freehold Land		
	At Fair Value	12,053	12,053
	Buildings		
	At Fair Value	2,587	2,587
	Accumulated Depreciation	(143)	(92)
	Total	2,444	2,495
	Other Assets		
	At Cost	7,865	6,675
	Accumulated Depreciation	(2,205)	(1,455)
	Total	5,660	5,220
	Work In Progress		
	At Cost	26,563	17,340
	Total	418,890	405,316

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 at Fair Value	Other Assets at Cost	Work In Progress at Cost	Total
Opening Net Book Value	206,020	162,188	12,053	2,495	5,220	17,340	405,316
Reclassification	-	-	-	(2)	2	-	-
Contributed Assets at Fair Value	348	609	-	-	-	-	957
Additions at Cost	4	-	-	-	-	25,387	25,391
Transfers from Work in Progress	6,510	7,915	-	-	1,739	(16,164)	-
Disposals	-	-	-	-	(312)	-	(312)
Depreciation Expenses	(5,809)	(5,615)	-	(49)	(989)	-	(12,462)
Net Book Value as at 30 June 2012	207,073	165,097	12,053	2,444	5,660	26,563	418,890
Opening Net Book Value	219,270	151,002	12,015	1,540	4,664	12,169	400,660
Reclassification	(13,520)	13,350	-	479	(309)	-	-
Contributed Assets at Fair Value	197	538	-	-	-	-	735
Additions at Cost	-	-	-	-	648	15,687	16,335
Transfers from Work in Progress	5,801	2,970	38	522	1,185	(10,516)	-
Disposals	138	-	-	-	(148)	-	(10)
Depreciation Expenses	(5,866)	(5,672)	-	(46)	(820)	-	(12,404)
Net Book Value as at 30 June 2011	206,020	162,188	12,053	2,495	5,220	17,340	405,316

If the property, plant and equipment were measured at depreciated replacement cost the carrying amounts at 30 June 2012 would be as follows. Depreciated replacement cost of water and sewerage assets was determined at 1 July 2009 by an independent valuation undertaken by GHD and Serck. Other assets are recorded at written down replacement cost as determined by owners.

Asset Group ($'000)	Infrastructure Assets Water	Infrastructure Assets Sewerage	Freehold Land	Buildings	Other Assets	Work In Progress	Total
Depreciated replacement cost	303,042	386,462	12,054	2,681	7,984	26,446	738,669
Accumulated depreciation	(23,746)	(36,512)	-	(147)	(2,390)	-	(62,795)
Net Carrying Amount as at 30 June 2012	279,296	349,950	12,054	2,534	5,594	26,446	675,874
Depreciated replacement cost	295,102	378,038	12,054	2,587	6,676	17,340	711,797
Accumulated depreciation	(14,725)	(24,687)	-	(95)	(1,447)	-	(40,954)
Net Carrying Amount as at 30 June 2011	280,377	353,351	12,054	2,492	5,229	17,340	670,843

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

9. Property, Plant and Equipment continued

Property, Plant and Equipment Reconciliation continued

The Corporation deemed cost as at 1 July 2009 to be 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	Other Assets	Work In Progress	Total
Cost	643,509	609,941	12,054	2,831	7,774	26,446	1,302,555
Accumulated depreciation	(364,213)	(259,991)	-	(297)	(2,180)	-	(626,681)
Net Carrying Amount as at 30 June 2012	279,296	349,950	12,054	2,534	5,594	26,446	675,874
Cost	636,714	601,351	12,054	2,737	6,642	17,340	1,276,838
Accumulated depreciation	(356,337)	(248,000)	-	(245)	(1,413)	-	(605,995)
Net Carrying Amount as at 30 June 2011	280,377	353,351	12,054	2,492	5,229	17,340	670,843

	2012 $'000	2011 $'000
10 Intangibles		
Computer software		
At Cost	2,182	1,531
Accumulated Amortisation	(256)	(20)
	1,926	1,511
Work in Progress - At Cost	-	-
Total	1,926	1,511

	Software $000	Work in Progress $000	Total $000
2012 Intangibles - Reconciliation			
Opening Net Book Value	1,511	-	1,511
Additions at Cost	-	651	651
Transfers from Work in Progress	651	(651)	-
Disposals	-	-	-
Amortisation Expense	(236)	-	(236)
Net Book Value as at 30 June 2012	1,926	-	1,926
2011 Intangibles - Reconciliation			
Opening Net Book Value	-	930	930
Additions at Cost	-	601	601
Transfers from Work in Progress	1,531	(1,531)	-
Disposals	-	-	-
Amortisation Expense	(20)	-	(20)
Net Book Value as at 30 June 2011	1,511	-	1,511

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 $'000	2011 $'000
11	**Current and Non-current Liabilities**		
11.1	**Borrowings**		
	All semi-government borrowings have been transacted through the Tasmanian Public Finance Corporation (Tascorp). All borrowings are secured by a charge over receivable.		
	Borrowings:		
	Current	25,613	10,940
	Non-current	70,650	72,729
	Total	96,263	83,669
	Credit Facilities		
	At 30 June the Corporation had access to the following finance facilities.		
	Master Loan Borrowing Limit - Tascorp		
	Facility	100,000	100,000
	Less used / committed	96,263	83,669
	Undrawn Balance	3,737	16,331
	Temporary Loan Facility - Tascorp		
	Facility	10,000	-
	Less used / committed	-	-
	Undrawn Balance	10,000	-
	Corporate MasterCard		
	Facility	150	150
	Less used / committed	-	3
	Undrawn Balance	150	147
11.2	**Employee Benefits**		
	Current		
	Annual Leave	1,418	1,318
	Long Service Leave	1,800	1,727
	Sick Leave	-	26
	Rostered Day Off	45	31
	Defined Benefit Superannuation - RBF (Refer Note 13.2)	91	67
		3,354	3,169
	Non-current		
	Long Service Leave	185	178
	Defined Benefit Superannuation - RBF (Refer Note 13.2)	934	811
		1,119	989
	Total [1]	4,473	4,158

[1] The Employee Benefits Provision includes $650,000 (2011: $654,000) of attributable on-costs.

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 Employees	2011 Employees
11	Current and Non-current Liabilities continued		
	Number of employees at year end (FTE)	169	166

		2012 $'000	2011 $'000
11.3	**Payables**		
	Trade Creditors	1,660	928
	Accrued Expenses	3,949	2,392
	Accrued Interest Expense	955	915
	Total	6,564	4,235
11.4	**Unearned Income**		
	Current		
	Government Grants (Refer Note 3.4)	253	123
	Non-current		
	Government Grants (Refer Note 3.4)	3,571	1,917
	Total	3,824	2,040

12 Members' Equity

The Corporation is owned by nine councils in the north-western region of Tasmania as detailed in Note 21. Each owner's share was determined effective 1 July 2009, by its proportionate share of total net assets contributed to the Corporation. Each of the nine owners hold one share in the Corporation, with each share having equal voting rights.

Each share has an issue price of $1.

12.1	**Retained Profits (Accumulated Losses)**		
	Opening Balance	1,231	(290)
	Actuarial Gain (Loss) on defined benefit plan	(87)	190
	Tax effect of Acturial Gain (Loss) on defined benefit plan	26	(57)
	Share of other comprehensive income of associates	(51)	(19)
	Dividends paid (Refer Note 7)	-	(467)
	Profit after Income Tax Expense	462	1,874
	Closing Balance	1,581	1,231
12.2	**Contributed Equity**		
	Opening Balance	325,108	325,108
	Movement for year	-	-
	Closing Balance	325,108	325,108

13 Superannuation

Two defined benefit superannuation liabilities, RBF and Quadrant, were transferred to the Corporation from Cradle Coast Water and nine owner councils on 1 July 2009. Disclosures regarding these two funds are provided in Note 13.1 and 13.2.

13.1 The Corporation makes superannuation contributions for a number of its employees to 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, Benzulla Actuarial Pty Ltd (the Actuary) is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119, the Corporation does not use defined benefit accounting for these contributions.

The Actuary undertook the last actuarial review of the Scheme 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 was $4,793,408, and the value of total accrued benefits was $57,330,437. These amounts relate to all members of the scheme at the date of valuation and no asset or liability is recorded in Quadrant Superannuation Scheme's financial statements for the Corporation's 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% p.a.
Price Inflation	n/a

The actuarial review concluded that:

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 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.

13.2 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:

	2012	2011
Principal Actuarial Assumptions as at Balance Date		
Discount rate	**3.5%**	5.5%
Expected salary increase rate	**3.5%**	4.5%
Expected return on plan assets [1]	**7.5%**	7.5%
Expected pension increase rate	**2.5%**	2.5%
Expected rate of increase compulsory preserved amounts	**3.8%**	4.5%

(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.

13 Superannuation continued

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 (e.g., 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 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.

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

	2012 $'000	2011 $'000
Statement of Financial Position results as at 30 June - Net liability		
Defined benefit obligation	1,190	1,087
RBF Contributory scheme assets	(165)	(209)
Deficit (surplus)	1,025	878
Unrecognised past service cost	-	-
Unrecognised net (gain) loss	-	-
Adjustment for Limitation on net assets	-	-
Net superannuation liability (asset)	1,025	878
Current net liability (Refer Note 11.2)	91	67
Non-current net liability (Refer Note 11.2)	934	811
	1,025	878
Expense Recognised in the Statement of Comprehensive Income		
Employer service cost	37	56
Expected return on plan assets	(15)	(20)
Expense recognised in employee related expenses	22	36

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 $'000	2011 $'000
13	**Superannuation continued**		
	Interest cost	57	77
	Expense recognised in net financing costs	57	77
	Amounts Recognised in Other Comprehensive Income		
	Recognised actuarial (gains) / losses	87	(190)
	Cumulative Actuarial Gains or Losses recognised in Other Comprehensive Income		
	Cumulative amount of actuarial (gains) or losses at end of prior year	(68)	122
	Actuarial (gains) or losses recognised during the year	87	(190)
	Cumulative amount of actuarial (gains) or losses at end of prior year	19	(68)
	Reconciliation of Fair Value of Scheme Assets		
	Fair value of plan assets at end of prior year	209	285
	Estimated employer contributions	19	251
	Estimated participant contributions	23	25
	Estimated operating costs	(2)	(3)
	Estimated benefit payments	(29)	(365)
	Expected return on assets	15	20
	Expected assets at year end	235	213
	Actuarial gain (loss) on assets	(70)	(4)
	Individual plan assets at year end	165	209
	Actual return on plan assets [1]	(55)	15
	Present Value of the Defined Benefit Obligations		
	Total defined benefit obligations at end of prior year	1,087	1,491
	Employer service cost plus operating costs	37	56
	Interest cost	57	77
	Estimated participant contributions	23	25
	Estimated operating costs (administration, insurance)	(2)	(3)
	Estimated benefit payment plus contributions tax	(29)	(365)
	Expected defined benefit obligations at year end	1,173	1,281
	Actuarial (gain) loss on liabilities	17	(194)
	Actual total defined benefit obligations at year end	1,190	1,087

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

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

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 $000	2011 $'000	2010 $'000
13	**Superannuation continued**			
	Historical information			
	Total defined benefit obligation	1,190	1,087	1,491
	Actual assets at year end	165	209	285
	Deficit (surplus)	1,025	878	1,206
	Experience adjustment on liabilities	(85)	(183)	(18)
	Experience adjustment on assets	70	4	82

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 $91,000.

		2012 $'000	2011 $'000
14	**Commitments for Expenditure**		
14.1	**Capital Commitments**		
	Capital commitments totalling at 30 June of $4,462,728 (2011: $4,480,191) were not provided in the accounts.		
	Payments within 1 year	4,462	4,480
	Payments 1 - 5 years	-	-
	Payments longer than 5 years	-	-
	Total	4,462	4,480
14.2	**Lease Commitments**		
	Lease payments expensed during the year	264	334
	Operating Lease Commitments		
	Payments within 1 year	141	126
	Payments 1 - 5 years	76	152
	Payments longer than 5 years	-	-
	Total	217	278

These lease commitments represent payments due on current operating leases for the Corporations office accommodation and information technology. The leases are cancellable but incur a penalty of the present value of future lease payments. There is no documented option to purchase leased assets at the expiry of the leases.

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 $'000	2011 $'000
15	**Contingent Liabilities**		
	The Corporation was not aware of any contingent liabilities at the time of finalising the financial report.		
16	**Remuneration of Auditors**		
	Audit Services - Tasmanian Audit Office		
	Annual external audit fee	40	37
17	**Compensation of Key Management Personnel**		
	Directors		
	Short-Term	147	145
	Post Employment (superannuation)	13	13
	Other Key Management Personnel		
	Short-Term	823	922
	Post Employment (superannuation)	81	93
	Total	1,064	1,173
	Further details on the compensation of key management personnel can be found in the Remuneration Report which forms part of the Directors' Report.		
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 - Chairman		
	- Mr Grant Atkins		
	- Mr Brian Bayley		
	- Ms Sarah Merridew		
	- Dr Dan Norton		
	- Mr Tony MacCormick (Resigned 23 November 2011)		

	2012 $	2011 $
Other expenses associated with the Board are as follows:		
Travel, accommodation, meals and other	16,284	24,867
Director professional development	-	1,276
	16,284	26,143

18 Related Party Disclosures continued

18.2 Transactions with Directors' Related Parties

There were no loans in existence by the Corporation to responsible or 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 personel.

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 Limited, trading as Onstream. Onstream provides various services to the Corporation. Refer to Note 22 for details of the 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:

	2012 $'000	2011 $'000
Transactions with Onstream		
Service Fees	**3,345**	3,469
Reimbursement of other costs	**1,053**	691
Accounts Payable	**803**	207
Sales	**42**	233
Accounts Receivable	**-**	8

The Corporation is owned by nine councils in the north west of 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 normal commercial terms and conditions.

18 Related Party Disclosures continued

18.3 Transactions with Other Related Parties continued

Sales for the year ended 30 June 2012	Water and Sewerage Sales $'000	Other Services $'000	Amount Receivable as at 30 Jun 2012 $'000
Burnie City Council	230	83	87
Central Coast Council	72	57	84
Circular Head Council	109	39	1
Devonport City Council	158	30	80
Kentish Council	38	4	1
King Island Council	30	-	8
Latrobe Council	101	22	37
Waratah-Wynyard Council	125	6	14
West Coast Council	81	14	19

Sales for the year ended 30 June 2011	Water and Sewerage Sales $'000	Other Services $'000	Amount Receivable as at 30 Jun 2011 $'000
Burnie City Council	222	92	68
Central Coast Council	79	86	56
Circular Head Council	42	11	42
Devonport City Council	134	59	69
Kentish Council	37	-	36
King Island Council	17	-	4
Latrobe Council	66	33	7
Waratah-Wynyard Council	113	-	1
West Coast Council	70	1	-

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

18 Related Party Disclosures continued

18.3 Transactions with Other Related Parties continued

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

Purchases for the year ended 30 June 2012	**Council Rates**	**Other Council Services**	**Amount Payable as at 30 Jun 2012**
Burnie City Council	103	95	8
Central Coast Council	47	131	-
Circular Head Council	18	29	-
Devonport City Council	119	83	1
Kentish Council	6	-	-
King Island Council	2	375	23
Latrobe Council	7	3	-
Waratah-Wynyard Council	18	60	8
West Coast Council	19	-	-

Purchases for the year ended 30 June 2011	Council Rates	Other Council Services	Amount Payable as at 30 Jun 2011
Burnie City Council	100	300	6
Central Coast Council	25	37	1
Circular Head Council	17	13	-
Devonport City Council	116	30	1
Kentish Council	5	2	-
King Island Council	2	270	-
Latrobe Council	7	36	-
Waratah-Wynyard Council	12	55	-
West Coast Council	4	26	-

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		2012 $'000	2011 $'000
19	**Notes to the Statement of Cash Flow**		
19.1	**Reconciliation of Net Cash From Operating Activities to Operating Result**		
	Net Profit (Loss) before Income Tax Equivalents	654	2,777
	Add (Less) Non-Cash Items:		
	Depreciation and Amortisation Expense	12,698	12,424
	Allowance for Impaired Receivables	290	346
	Loss (Profit) on Sale of Non-current Assets	(22)	(84)
	Gifted Assets and Contributions	(1,125)	(858)
	Actuarial Loss on Defined Benefit Plans	(87)	-
	Share of Net Profit of Associate	(14)	(43)
	Changes in Assets and Liabilities:		
	(Increase) Decrease in Receivables	(2,436)	(1,592)
	(Increase) Decrease in Stores	(105)	(245)
	(Increase) Decrease in Prepayments	(34)	(63)
	Increase (Decrease) in Payables	2,326	(1,331)
	Increase (Decrease) in Employee Benefits	316	272
	Income Tax Equivalents Paid	(1,647)	(1,278)
	Cash Flows from Operating Activities	10,814	10,325
19.2	**Reconciliation of Cash and Cash Equivalents**		
	Cash Management Account with Tascorp	-	6
	Cash at Bank and on Hand	2,327	2,670
	Cash as per Statement of Cash Flows	2,327	2,676

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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 Corporation's 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.

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	2,327	2,676
Loans and Receivables	14,966	12,818
Total Financial Assets	17,293	15,494
Financial Liabilities		
Payables at amortised cost	6,564	4,235
Borrowings at amortised Cost	96,263	83,669
Total Financial Liabilities	102,827	87,904

20 Financial Instruments continued

20.1 Significant Accounting Policies continued

Net holding gain / loss on financial instruments by category:

Financial Instrument 2012	Interest (Income) and Expense $'000	Fee (Income) and Expense $'000	Impairment Loss $'000	Total $'000
Financial Assets				
Cash and cash equivalents	(81)	-	-	(81)
Loans and Receivables	-	-	290	290
Total Financial Assets	(81)	-	290	209
Financial Liabilities				
Payables at amortised cost	-	-	-	-
Borrowings at amortised Cost	5,833	875	-	6,708
Total Financial Liabilities	5,833	875	-	6,708
Net Holding Loss	5,752	875	290	6,917

Financial Instrument 2011	Interest (Income) and Expense $'000	Fee (Income) and Expense $'000	Impairment Loss $'000	Total $'000
Financial Assets				
Cash and cash equivalents	(69)	-	-	(69)
Loans and Receivables	-	-	346	346
Total Financial Assets	(69)	-	346	277
Financial Liabilities				
Payables at amortised cost	-	-	-	-
Borrowings at amortised Cost	5,188	783	-	5,971
Total Financial Liabilities	5,188	783	-	5,971
Net Holding Loss	5,119	783	346	6,248

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 risk through its cash and deposits, term deposits and bank overdrafts that are at floating rates.

Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

20 Financial Instruments continued

20.2 Interest Rate Risk continued

As at 30 June 2012	Variable interest rate $'000	Fixed interest rate maturing in: 1 year $'000	1 – 5 years $'000	> 5 years $'000	Non-interest bearing $'000	Total carrying amount $'000	Weighted average interest rate
Financial Assets							
Cash at Bank	2,327	-	-	-	-	2,327	4.16%
Cash Management Account	-	-	-	-	-	-	4.54%
Receivables	-	-	-	-	14,966	14,966	-
Total	2,327	-	-	-	14,966	17,293	-
Financial Liabilities							
Borrowings - Tascorp	25,137	5,000	42,500	23,626	-	96,263	6.30%
Payables	-	-	-	-	6,564	6,564	-
Total	25,137	5,000	42,500	23,626	6,564	102,827	-
Net Financial (Liabilities) Assets	(22,810)	(5,000)	(42,500)	(23,626)	8,402	(85,534)	-

As at 30 June 2011	Variable interest rate $'000	Fixed interest rate maturing in: 1 year $'000	1 – 5 years $'000	> 5 years $'000	Non-interest bearing $'000	Total carrying amount $'000	Weighted average interest rate
Financial Assets							
Cash at Bank	2,670	-	-	-	-	2,670	4.58%
Cash Management Account	6	-	-	-	-	6	4.66%
Receivables	-	-	-	-	12,818	12,818	-
Total	2,676	-	-	-	12,818	15,494	-
Financial Liabilities							
Borrowings - Tascorp	10,494	11,602	27,500	34,073	-	83,669	6.46%
Payables	-	-	-	-	4,235	4,235	-
Total	10,494	11,602	27,500	34,073	4,235	87,904	-
Net Financial (Liabilities) Assets	(7,818)	(11,602)	(27,500)	(34,073)	8,583	(72,410)	-

20 Financial Instruments continued

20.2 Interest Rate Risk continued

While the table above highlights the Corporation's total exposure to variable interest rates at 30 June 2012 was a net liability of $22,810,000 (2011: $7,818,000). The Corporation is exposed to movements in interest rates on variable interest bearing liabilities. There is sufficient volatility in interest rates and it is reasonably possible rates may marginally increase over the next 12 months but more likely decrease.

The table below shows the impact on profit after tax and equity on a 0.25% increase and a 0.25% decrease in interest rates.

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

	Profit after tax 0.25% increase 30 Jun 12 $'000	**Profit after tax 0.25% decrease 30 Jun 12 $'000**	Profit after tax 1% increase 30 Jun 11 $'000	Profit after tax 1% decrease 30 Jun 11 $'000
Cash and Cash Equivalents	4	(4)	19	(19)
Interest Bearing Liabilities -Variable	(44)	44	(73)	73
Total	(40)	40	(54)	54

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 $17,513,000 (2011: $15,494,000).

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 portion of past due receivables that are being processed by the recently developed 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 counterparties are monitored on an ongoing basis.

	2012 $'000	2011 $'000
Age of receivables that are past due but not impaired		
0 - 30 Days	2,354	3,086
31 - 60 Days	287	424
61 - 90 Days	521	147
91 Days and over	2,988	4,140
Total	6,150	7,797
Age of impaired receivables		
0 - 30 Days	9	-
31 - 60 Days	5	-
61 - 90 Days	1	-
91 Days and over	719	444
Total	734	444

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 the reporting date.

	3 months or less $'000	3 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	> 5 years $'000	Carrying Amount $'000
2012						
Borrowings - Tascorp	25,137	5,000	12,500	30,000	23,626	96,263
Payables	6,564	-	-	-	-	6,564
Total	31,701	5,000	12,500	30,000	23,626	102,827
2011						
Borrowings - Tascorp	12,096	10,000	5,000	22,500	34,073	83,669
Payables	4,235	-	-	-	-	4,235
Total	16,331	10,000	5,000	22,500	34,073	87,904

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 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.

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 prices. The Corporation had not entered into any derivatives or forward foreign currency contracts at balance date. Accordingly there were no financial instruments to report in level 1, 2 or 3 of the fair value hierarchy for 30 June 2012 (2011: Nil). The fair value of the financial assets and liabilities at year end were:

	Total carrying amount per the statement of financial position		Aggregate net fair value	
Financial Instrument	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Financial Assets				
Cash at Bank	2,327	2,670	2,327	2,670
Cash Management Account	-	6	-	6
Receivables	14,966	12,818	14,966	12,818
Total	17,293	15,494	17,293	15,494
Financial Liabilities				
Borrowings	96,263	83,669	102,467	86,323
Payables	6,564	4,235	6,564	4,235
Total	102,827	87,904	109,031	90,558

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 the fair value;
- Borrowings - are carried at amortised cost which is different to net fair value due to market 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 the business and regulatory objectives. Capital is managed by the Corporation to achieve these objectives within financially prudent gearing thresholds while being mindful of acceptable returns to shareholders.

21 Controlling Entities

The Corporation operates as an entity under the *Corporation Act 2001 (Cth)* and in accordance with the *Water and Sewerage Corporations Act 2008 (WSCA)* and the *Water and Sewerage Industry Act 2008 (WSIA)*. Cradle Mountain Water is owned by the following nine councils in North-Western Tasmania: Burnie City Council, Central Coast Council, Circular Head Council, Devonport City Council, Kentish Council, King Island Council, Latrobe Council, Waratah-Wynyard Council and West Coast Council.

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 Limited, trading as Onstream. The other two shares are owned by Tasmanian Water and Sewerage Corporation (Southern Region) Pty Limited, trading as Southern Water and Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited, trading as Ben Lomond 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 cost of these services, refer Note 18.3.

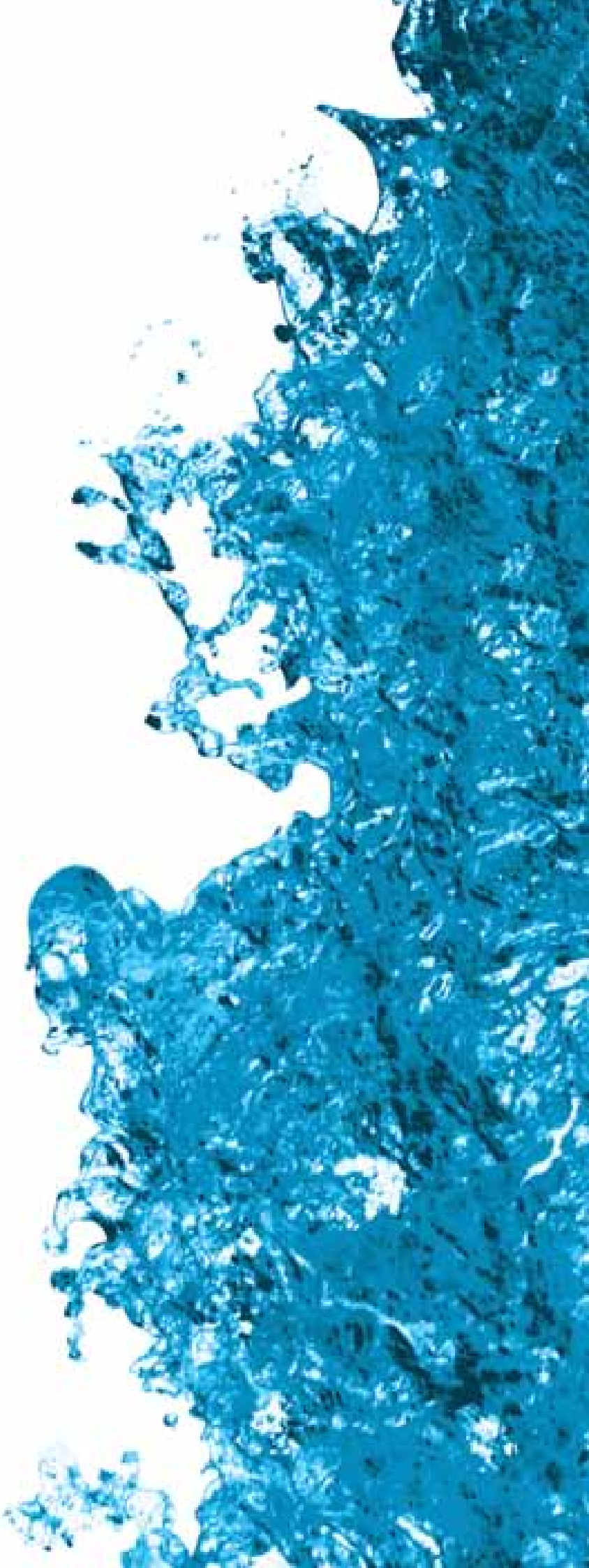
The following table shows summarised financial information for Onstream, together with a reconciliation of movements in the carrying amount of the Corporation's investment.

Onstream's figures are for the same year end date as the Corporation's accounts.

	2012 $'000	2011 $'000
Summarised financial information of Onstream		
Revenue	13,693	16,154
Profit before income tax	74	232
Income tax equivalents expense benefits	(22)	(70)
Profit after income tax	52	162
Other comprehensive income (loss) after tax	(189)	(73)
Total comprehensive income for the period	(137)	89
Corporation's share of profit before tax	20	62
Corporation's share of income tax equivalents (expense) benefit	(6)	(19)
Corporation's share of profit after tax	14	43
Corporation's share of other comprehensive income (loss after tax)	(51)	(19)
Corporation's share of total comprehensive income (loss after tax)	(37)	24
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 year	38	14
Share of surplus (deficit) for the year	(37)	24
Carrying amount at end of year	1	38

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 affect the Corporation, its operations, results of operations, or state of affairs in future financial years.



Cradle Mountain Water ABN 90 133 655 008
162 Pumping Station Road, Forth • PO Box 3147DC, Ulverstone TAS 7315
Phone: (03) 6498 7900 Fax (03) 6498 7935 Email: enquiries@cmwater.com.au
www.cmwater.com.au