onstream

annual report 2011-12

Shared services supporting the Regional Water and Sewerage Corporations

OUR OWNERS

Onstream is owned by the three Regional Water and Sewerage Corporations (Regional Corporations):

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd trading as: Ben Lomond Water

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd trading as: Cradle Mountain Water

Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd trading as: Southern Water annual report 2011-12

OUR BOARD

The Onstream Board comprises the Common Chair of the Tasmanian Water and Sewerage Corporations, the three Regional Corporation CEOs and two additional Directors.

Chairman	Mr Miles Hampton
Directors	Ms Jane Bennett
	Mr Barry Cash, CEO Ben Lomond Water
	Mr Andrew Kneebone, CEO Cradle Mountain Water
	Ms Sarah Merridew
	Mr Mike Paine, CEO Southern Water

OUR PURPOSE

Creating and delivering valued services to our clients sustainably.

OUR VALUES

enterprising
enabling
approachable
professional

OUR PRINCIPLES

1. To enable the success of our clients through the delivery of professional, efficient and effective services
2. To encourage learning, growth, leadership and wellbeing of our people
3. To meet the economic, social and environmental returns expected by our owners and the community
4. To strive to be the best in all areas of our business
5. To be future focussed

HIGHLIGHTS FOR THE YEAR

1	Restructured Onstream to reduce its scope of activities so the focus would be solely on the efficient delivery of shared services in IT, billing, finance, procurement and payroll to the Regional Corporations.
2	Co-located staff and ICT infrastructure with the Regional Corporations.
3	Supported the Regional Corporations in moving to business as usual quarterly meter reading and billing through the customer and billing system.
4	Implemented a new meter reading interface for Elster Automatic Meter Read (AMR) meters into the customer and billing system.
5	Implemented pricing changes required in the customer and billing system to support the Price Determinations for the Regional Corporations.
6	Reduced the cost of delivering our services to the Regional Corporations and reported a net profit after tax of $52,000 for the 2011-12 financial year.
7	Completed the implementation of Voice over Internet Protocol (VoIP) telephony for all Corporations to deliver cost-effective communication features.
8	Completed the implementation of the Basware automated invoice capture and processing system for all Corporations to improve efficiency within accounts payable and provide better service to suppliers.
9	Restructured the Payroll function in order to harness efficiency opportunities created as a result of Onstream's co-location with the Regional Corporations, resulting in savings of approximately $100,000 per annum.
10	Procurement of electricity contracts for all contestable sites with estimated savings of $1.4 million per annum.

CHAIRMAN'S REPORT

The third year of operations for Onstream saw a significant restructuring of the business.

The scope of activities was reduced so that the sole focus became the provision of five core shared services to the Regional Corporations. The selection of these core services resulted from a comprehensive review of the functionality that would be most appropriately handled on a collective basis. The five core shared services activities are IT, billing, finance, procurement and payroll.

At the same time, Onstream staff were co-located to the Regional Corporations, enabling improved communications and staff interaction. The benefits of co-location to both Onstream and the Regional Corporations have exceeded our expectations.

In announcing the restructure we flagged an expected annual saving in excess of $2.2M. The bulk of targeted savings have been secured, albeit we are still incurring lease costs in relation to premises no longer required.

The significant operational focus of the business during the year was also to work with the Regional Corporations to ensure that the billing system could cope with the commencement of universal two-part pricing from 1 July 2012.

Working closely with relevant personnel in the Regional Corporations, the challenging work program was largely delivered on time and with only minor hiccups, a credit to all involved given the complexity of the transition.

I would like to express my appreciation for the efforts of Mrs Carolyn Pillans as acting Chief Executive. Carolyn managed the difficult restructuring task in a most professional way and positioned the business to move to its present structure. When Carolyn ceased to be acting CEO, the business had been very effectively transitioned to its new focus.

I would also thank our Joint General Managers, Andrew Beswick and Matthew Pigden, who have   managed the business on a joint basis subsequent to Carolyn Pillans transferring to Southern Water.

Finally, to all of our staff, thank you for your hard work and commitment in another challenging year.

Miles Hampton
Chair

Shared services supporting the Regional Corporations

This year, Onstream realigned its operational structure to optimise the provision of shared services which support the regional Tasmanian Water and Sewerage Corporations. This included a restructure of operations, co-location of staff with the Regional Corporations and a resetting of corporate direction.

Onstream now delivers shared services in the areas of IT, billing, finance, procurement and payroll under the leadership of two portfolio based Joint General Managers.

RESTRUCTURE AND CO-LOCATION

In September 2011, Onstream commenced a significant restructure of its operations. The goals of the restructure were to deliver cost savings, streamline the management structure and focus the business on the shared services required by the Regional Corporations. The restructure also provided the opportunity to co-locate Onstream's staff with the Regional Corporations at Forth, Launceston and Moonah, as well as move the two primary data centres to Launceston and Moonah. Not only will this produce significant savings, it has already led to increased collaboration among the staff and efficiency in operations.

SHARING ADMINISTRATIVE SERVICES WITH THE REGIONAL CORPORATIONS

Onstream's restructure has focussed its resources on its five service areas. Sharing premises has provided the ability for administrative support to be largely provided by the Regional Corporations. This includes sourcing company secretariat, risk management and human resources services from Southern Water and safety support from the local Regional Corporations.

RESETTING THE CORPORATE DIRECTION

In December 2011, the Board and the Joint General Managers set the Corporate Plan for the following financial year. With the restructured business however, it made sense to translate this new direction immediately to operations for the remainder of 2011-12. Our new vision is:

To assist the Regional Corporations achieve more efficient operations and professionalism through the provision of cost effective and value adding shared services.

CUSTOMER AND BILLING SYSTEM

2011-12 was the first year that customers' water and sewage accounts were produced in a business as usual manner from the new Customer Information and Billing System, Gentrack Velocity. The staff of all the Corporations involved in metering, customer service, billing and debt collection now have access to a foundation system to undertake their roles.

HEALTH AND SAFETY

We have three major occupational health and safety risk exposures: extensive travel; keyboard work; and manual handling. To positively address these, we use the videoconference facilities for meetings, performed ergonomic assessments, refreshed relevant training, trained new contact officers and actively promoted our 'no harm' message within our service areas.

During the year we recorded one lost time injury and one medically treated injury.

We warmly thank our staff for their determination and commitment during the year. Despite the disruptions of the restructure and relocation, our staff continued to implement priority projects and deliver our full range of services to the Regional Corporations, reduce our overall cost structure, and improve processes for the benefit of all our owner Corporations.

We are proud of our continuing efforts to capture statewide benefits, improve operational excellence and ultimately assist the Regional Corporations to deliver efficient water and sewerage services to the Tasmanian community.

Andrew Beswick and Matthew Pigden

Joint General Managers

INTRODUCING THE JOINT GENERAL MANAGERS

MATTHEW PIGDEN

Joint General Manager (Finance & Payroll)

Mr Pigden brings extensive financial management experience to Onstream. Matthew holds a Bachelor of Commerce and is a Chartered Accountant with extensive experience in financial analysis and preparation of financial statements.

ANDREW BESWICK

Joint General Manager(IT & Billing)

Prior to his appointment as Chief Information Officer, Mr Beswick held the position of Corporate Secretary for the Burnie City Council specialising in the area of IT services, business systems and strategy development and implementation. Andrew holds a Bachelor of Commerce and is also a Chartered Accountant.

EXECUTIVE MANAGEMENT TEAM

Chief Executive Officer	Christine Mucha (until 8 July 2011)
Acting Chief Executive Officer	Carolyn Pillans (until 14 October 2011)
Joint General Manager (IT & Billing)	Andrew Beswick (from 17 October 2011)
Joint General Manager (Finance & Payroll)	Matthew Pigden (from 17 October 2011)
Chief Information Officer	Andrew Beswick
Chief Financial Officer	Matthew Pigden
Corporate Secretary / Executive Manager, Governance	Robert Noga (until 14 October 2011)
Executive Manager, Strategy and Service Innovation	Maria Buttery (until 9 September 2011)
Executive Manager, Human Resources	Lynn Hallam (until 25 November 2011)
Executive Manager, Revenue Services	Marissa Walters (until 30 January 2012)

FINANCIAL OUTCOMES

The Financial Report for the year ended 30 June 2012 discloses a net profit after income tax equivalents of $52,000 compared with $162,000 for the 2010-11 year. This is a good result given that it encompasses an overall reduction of $387,000 in base service fees charged to the Regional Corporations from the prior year.

The net profit after tax result has predominantly been driven by lower salaries reflecting the restructuring of operations offset by higher asset charges and a provision for onerous contract with respect to the office leases in Hobart and Launceston, as discussed below.

MORE EFFICIENT COST BASE

The restructure in September 2011 focussed Onstream's shared service delivery on the key portfolio areas of IT and Solutions, Billing Services, Finance Services, Procurement Services and Payroll Services. Onstream is now led by two portfolio based Joint General Managers one co-located with Ben Lomond Water and the second co-located with Southern Water. The Joint General Managers also provide service functions with the Joint General Manager (IT & Billing) also the Chief Information Officer for all Corporations and the Joint General Manager (Finance & Payroll) also the Chief Financial Officer for Onstream and Southern Water.

The restructure resulted in a reduction in full time equivalent positions from 68 to 60 plus a further reduction of eight casual staff and will ultimately realise $2.2 million in ongoing annual savings including building lease costs.

IMPROVING OUR SERVICE STANDARDS

To further align our services with those required by the Regional Corporations and as part of the restructure, all Onstream staff are now co-located with the Regional Corporations' staff at Forth, Launceston or Moonah. The co-location has already demonstrated an improved understanding of service requirements and opportunities to streamline processes to improve efficiency.

INFORMATION TECHNOLOGY AND SOLUTIONS (IT&S)

Information Technology and Solutions provides Information Technology and Information Systems services including the Chief Information Officer (CIO) functions, IT operations, IT project management, business analysis and IT systems development.

Major IT and related achievements during the year include:

- Continued to coordinate and support the IT Steering Committee and several IT special interest groups.
- Completed the implementation of Voice over Internet Protocol (VoIP) telephony for all Corporations to deliver cost-effective communication features while achieving significant annual savings.
- Relocated the data centres to Moonah and Charles Street, Launceston.
- Assisted in the migrating all Corporations to a common Geographical Information System (GIS).
- Deployed the Elster meter reading software to all Corporations.
- Supported preliminary investigations in all Corporations into their Asset Management Information System requirements.

BILLING SERVICES

Billing Services provides the billing component of the 'meter to cash' transaction cycle and administers the Customer and Billing System.

Major billing achievements during the year include:

- Completed a number of interfaces to the Customer and Billing System, including the Elster metering reading interface for the new water meter fleet.
- Implemented the 2012-13 to 2014-15 Pricing Determinations for the Regional Corporations' new customer and billing system, Gentrack Velocity.
- Processed 581,343 fixed charge billing invoices, and 113,096 volumetric billing invoices and over 12,000 other invoices for the Regional Corporations.

FINANCE SERVICES

Finance Services provides a range of services including accounts payable, treasury management, finance system administration, technical accounting and strategic financial advice.

Major finance achievements during the year include:

- Reduced the cost of delivering our services to the Regional Corporations and reported a net profit after tax of $52,000 for the 2011-12 financial year.
- Completed the implementation of the Basware automated invoice capture and processing system for all Corporations to improve efficiency within accounts payable and provide better service to suppliers.
- Automated several other finance processes through the use of technologies such as, Gentrack Velocity (new Customer and Billing system) and Qlikview (new reporting tool). This provided for more accurate, efficient and timely reporting.

PROCUREMENT SERVICES

Onstream Procurement Services supports the Regional Corporations procurement activities by providing expertise in procurement strategies, policies and procedures, procurement tools, management of tender processes, building and maintaining strong supplier relationships and strategic and transactional advice to ensure the best value for money outcomes.

Major procurement achievements during the year include:

- The procurement of electricity contracts for all contestable sites with estimated savings of $1.4 million per annum.
- The procurement of debt recovery services with an estimated savings of $200,000.
- The introduction of standard processes and procurement tools, including the use of electronic tendering. This has reduced processing times and provided an increased level of assurance and accountability.

PAYROLL SERVICES

Payroll Services coordinates the payroll processes for the three Regional Corporations and Onstream.

Major payroll achievements during the year include:

- Reviewed and updated the payroll processes and approval requirements. This has increased the level of assurance and accountability.
- Commenced the roll out program for the Employee Self Service Kiosk for Ben Lomond Water staff.
- The introduction of a range of new reports which are accessible to all Corporations.

SECRETARIAT AND GOVERNANCE SERVICES

The corporate secretarial functions, including Board services, for the Water and Sewerage Corporations were distributed to the Regional Corporations as part of the restructure. Southern Water now provides Onstream's Corporate Secretarial services.

STRATEGY AND SERVICE INNOVATION

The functions of Strategy and Service Innovation have been incorporated into the relevant service areas, particularly in Information Technology and Solutions. Operational excellence remains a core commitment of all of Onstream's shared service areas. Performance measurement is now the responsibility of the Joint General Managers.

COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT SERVICES

Communications and stakeholder engagement services for the Water and Sewerage Corporations were distributed to the Regional Corporations as part of the restructure.

OUR FUTURE

The Regional Water and Sewerage Corporations are our clients and following the restructure, our sole focus. It is our entire team's intention to ensure agreed deliverables are met continually and reliably, and that our services match their strategic aims and objectives.

RESETTING THE CORPORATE DIRECTION

In December 2011, the Board and the Joint General Managers commenced the process of setting the Corporate Plan for the following year. However, the direction contained in the Corporate Plan for 2012-13 was translated to operations for the remainder of 2011-12. Our new vision is:

To assist the Regional Corporations achieve more efficient operations and professionalism through the provision of cost effective and value adding shared services.

In 2012-13, we will continue to:

- Deliver efficient and effective services across our five service areas.
- Identify and deliver further cost savings through efficiencies, automation and innovation.
- Develop new products and services as needed.
- Continually provide reliable services during any change to our industry or structure.

Above all, we welcome the ongoing opportunity to provide shared services to support the Regional Water and Sewerage Corporations.

LEGISLATIVE AUTHORITY

The Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd, trading as Onstream, is enabled under the *Water and Sewerage Corporations Act 2008* (Tas) (WSCA). It was incorporated on 9 December 2008 as a proprietary limited company, owned in equal shares by the three regional Tasmanian Water and Sewerage Corporations, under the *Corporations Act 2001* (Cth). Our constitution is approved by the Tasmanian Parliament.

The WSCA prescribes our objectives as:

- To assist the regional water and sewerage corporations to fulfil their principal objectives;
- To be a successful business and, to this end –
  - Operate its activities in accordance with good commercial practice;
  - Maximise sustainable returns to its members; and
  - To be available to provide services to third parties, including Councils, on a commercial basis.

PRINCIPAL ACTIVITIES

Our principal activities during 2011-12 were:

- To provide various services to its three owner corporations including IT, billing, finance, procurement and billing.

ROLE OF THE BOARD

The Board of Directors is responsible for our overall Corporate Governance. The Board performs this role by:

- Governing the Corporation in accordance with the requirements of the WSCA, including meeting its objectives under that Act;
- Providing entrepreneurial leadership of the Corporation within a framework of prudent and effective controls which enable risks to be assessed and managed;
- Setting the Corporation's strategic aims, ensuring the necessary financial and human resources are in place for the Corporation to meets its objectives, and reviewing management performance;
- Setting and monitoring strategic requirements for effective financial reporting and risk management;
- Setting the Corporation's values and standards and ensuring that its obligations to its shareholders and others are understood and met;
- Appointing the Chief Executive Officer or Joint General Managers and monitoring performance; and
- Ensuring the Corporation complies with its Constitution as well as all applicable laws and rules in connection with the position.

The Board has determined which matters it will manage exclusively, with the remainder delegated to the Joint General Managers. The statement of Matters Reserved to the Board is available in the Governance and Policy section of our website.

CORPORATE GOVERNANCE

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

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

The WSCA prescribes the composition of Onstream's Board; rights and responsibilities of our owner Corporations; and the sections of the *Corporations Act* that are formally displaced and therefore, do not apply to us. In most other ways, the Board's powers, obligations, rights and responsibilities are similar to those of other privately-owned, large proprietary limited companies.

Onstream does not have a Shareholders' Letter of Expectations as its shareholders are fully represented and active participants on its Board. For this reason, Onstream's directors are not considered independent.

Onstream's governance processes align with those of its Regional Corporation owners in all material respects. Its codes, policies and charters are published on its website, along with its Constitution and Annual Reports.

The Directors Declaration accompanying the Financial Statements acknowledge that the Board has received assurance from the management team regarding the effectiveness of its systems to manage both financial reporting risk and material business risks.

DIRECTORS' BACKGROUND,TERMS AND MEETING ATTENDANCES 2011-12

MILES HAMPTON B.Ec (Hons), FCPA, FCIS, FAICD

(Appointed Director 11 August 2009 Term 1; Appointed Chairman 1 January 2011 Term 1)

Miles was appointed Chairman of the four Tasmanian Water and Sewerage Corporations in January 2011, having been a Director of the Regional Corporations since November 2008.

He had previously been Chairman of bulk water authority, Hobart Water, from 2005 to 2009.

In a related capacity, Miles 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. Miles was Managing Director of ASX listed agribusiness Roberts Limited for 20 years until his resignation in 2006.

He is currently a Director of MyState Limited, Australian Pharmaceutical Industries Ltd and the Van Diemen's Land Company.

Miles has been a Director of numerous private companies, Forestry Tasmania and ASX listed companies Ruralco Holdings Limited, HMA Limited, Gibsons Limited and Wentworth Holdings Limited.

JANE BENNETT

(Appointed 11 August 2009 Term 1)

Jane spent 18 years working with her family to build Ashgrove Cheese, a successful dairy processing business in a paddock on the family farm in Elizabeth Town, Northern Tasmania. In February 2011, Jane stepped down from the helm of the business to work as a non-executive Director in a range of businesses including the Australian Broadcasting Commission, Tasmanian Ports Corporation and two of Tasmania's Water and Sewerage Corporations, Ben Lomond Water and Onstream.

Jane chairs the Tasmanian Food Industry Advisory Council and is a Member of the Brand Tasmania Council. Jane was named 2010 Tasmanian Telstra Business Woman of the Year and 1997 Australian ABC Rural Woman of the Year.

In addition to her work in the family business, Jane has a range of experience in industry advisory bodies for food, agriculture, education and training and in rural and regional economic development.

BARRY CASH B.Eng(Civil), Grad.Dip.Management, FAICD, FIE(Aust)

(Appointed 12 January 2009)

Barry was appointed CEO of Ben Lomond Water in December 2008 and is the former CEO of Esk Water.

He has an engineering and general management background and has been involved in the Tasmanian water industry for over 30 years.

Barry is a Director of Onstream as part of his responsibilities as a Regional Corporation CEO.

ANDREW KNEEBONE MBA, MAICD

(Appointed 4 June 2010)

Andrew was appointed as CEO of Cradle Mountain Water in June 2010 having acted in the role for six months. Andrew moved to Tasmania after spending the previous twelve years in the Victorian water industry where he held a range of senior and executive level positions in the areas of Regulation, Organisation Development, Finance, Governance and Corporate Services. He formally held the roles of General Manager, Finance and Corporate Services at Central Highlands Water and General Manager, Corporate Services at Westernport Water.

Andrew is a director of Onstream as part of his responsibilities as a Regional Corporation CEO.

SARAH MERRIDEW B Ec, FCA, FAICD

(Appointed 10 March 2011 Term 1)

Sarah 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.

Sarah 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.

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

MIKE PAINE B.Eng(Civil), Grad.Dip.(Municipal Management), GAICD, FIE(Aust), RPEQ

(Appointed 16 February 2009)

Mike is an experienced water and sewerage industry professional spanning three states over a period of more than 30 years. He was appointed CEO of Southern Water in January 2010 and was CEO of Cradle Mountain Water from 2009 to 2010.

Before joining Cradle Mountain Water, Mike was General Manager of Customers and Communication at Geelong-based Barwon Water and before that, was CEO of Westernport Regional Water Authority, south east of Melbourne.

Mike has a Bachelor of Civil Engineering from the University of Queensland and a Graduate Diploma in Engineering (Municipal Management). He is a Fellow of the Institute of Engineers and a Graduate Member of the Australian Institute of Company Directors.

DIRECTORS' MEETING ATTENDANCES

	Board Meetings		Audit and Risk Committee (AAR)	
Director	Eligible	Attended	Eligible	Attended
Miles Hampton (Board Chairman)	15	15	5*	4
Sarah Merridew (AAR Chairman)	15	14	5	4
Jane Bennett	15	14	5	5
Barry Cash	15	15	1	1
Andrew Kneebone	15	14	1	1
Mike Paine	15	15	1	1

*Board Chairman is ex officio member of all Board Committees.

BOARD COMMITTEE - AUDIT AND RISK COMMITTEE

Onstream's Audit and Risk Committee (AAR), comprises three external and financially capable Directors. It is chaired by Mrs Sarah Merridew and met five times during the year. Although the Committee's members are not technically independent, Onstream and the Regional Corporations' committees hold joint meetings which allow a further level of expert and independent scrutiny.

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

During 2011-12, the Committee's major focus was the continued evolution of an effective risk management and internal control system, progress of the internal audit strategy and further development of a range of financial policies.

The Committee met with both the internal and external auditors without management present, and liaises with the external auditors in regard to the rotation of lead auditors.

Onstream is subject to both the *Right to Information Act* and the *Public Interest Disclosures Act*. Policies, procedures and application forms for these Acts are available on the Onstream website and the required annual disclosures are provided below.

Right to Information Act 2009 (TAS)	**2011-12**
Number of applications for assessed disclosure received	Nil
Number of applications for assessed disclosure that were refused and the sections under which they were refused	Nil
Number of applications for assessed disclosure relating to exempt information and the sections under which they were held to be exempt	Nil
Number of applications for internal review and the outcomes of those reviews	Nil
Public Interest Disclosures Act 2002 (TAS)	
Disclosures received by Onstream	Nil
Disclosures reported by Onstream to the Ombudsman	Nil
Disclosures referred to Onstream by the Ombudsman	Nil

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TASMANIAN WATER AND SEWERAGE CORPORATION
(COMMON SERVICES) PTY LIMITED

Financial Report 2011-12

The Directors of Tasmanian Water and Sewerage Corporation (Common Services) Pty Limited (the Corporation), trading as Onstream, 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 activity of Onstream during the course of the financial year was providing various services to its three owner corporations including information technology, billing, payroll, procurement and financial services. Onstream strives to deliver cost effective and value adding shared services.

REVIEW OF OPERATIONS

The Onstream structure and core services were reviewed during the year. As a result of this review, the management structure was streamlined and the service lines were realigned to assist the owner Corporations achieve increasing efficiencies within their operations. To support optimum service provision, Onstream staff were co-located with the owner corporations, with the offices in each region equipped with videoconferencing facilities to further support the state-wide service delivery.

The Corporation reported a profit after income tax equivalents expense of $52,000 for the year ended 30 June 2012 (2011: $162,000).

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

ENVIRONMENTAL REGULATIONS

The Corporation's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Board has the responsibility to monitor compliance with environmental regulations. The Directors are not aware of any significant breaches during the year covered by the report.

DIVIDENDS

No dividends were declared or paid during the 2011-12 financial year (2011: Nil).

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 Onstream. To effect this recommendation the Treasurer will need to sponsor a change to the existing legislation.

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

REMUNERATION 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 Corporation during or since the end of the financial year:

- Mr Miles Hampton (Chair)
- Ms Jane Bennett
- Mr Barry Cash
- Mr Andrew Kneebone
- Ms Sarah Merridew
- Mr Mike Paine

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

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

Mr Andrew Beswick
Chief Information Officer.
Appointed as Joint General Manager
(IT and Billing) from 17/10/2011

Mr Matthew Pigden
Chief Financial Officer.
Appointed Joint General Manager
(Payroll and Finance) from 17/10/2011

Ms Maria Buttery
Executive Manager
Strategy and Service Innovation to 9/9/2011

Ms Lynn Hallam
Executive Manager
Human Resources to 25/11/2011

Dr Christine Mucha
Chief Executive Officer to 8/7/2011

Mr Robert Noga
Corporate Secretary to 14/10/2011

Ms Carolyn Pillans
Acting Chief Executive Officer to 14/10/2011

Ms Marissa Walters
Executive Manager
Revenue Services to 30/1/2012

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 REPORT *(Continued)*

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 Chairman is obliged to work within its parameters.

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

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

Non-executive Directors' remuneration

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

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

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

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

REMUNERATION REPORT *(Continued)*

Relationship between the Remuneration Policy and the Corporation's Performance

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

The senior executives are appointed under employment contracts. Senior executive performance based payments are based on performance objectives set at both an overriding corporate level and specific divisional levels. The senior executive's performance against objectives is reviewed by the Board at least annually. 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 Salary & fees	**Post employment benefits Superannua-tion**	**Total**	**Short-term benefits Salary & fees**	**Post employment benefits Superannua-tion**	**Total**
Non-executive Directors	**$**	**$**	**$**	**$**	**$**	**$**
Mr Miles Hampton - Chairman (from 01/01/2011)	36,348	3,271	39,619	26,616	2.395	29,011
Mr Geoff Willis - Chairman (retired 31/12/2010)	-	-	-	18,063	1,626	19,689
Ms Jane Bennett	24,805	2,310	27,115	19,403	1,746	21,149
Mr Barry Cash (1)	-	-	-	-	-	-
Mr Andrew Kneebone (1)	-	-	-	-	-	-
Ms Sarah Merridew (from 15/03/2011)	20,252	1,823	22,075	4,520	407	4,927
Mr Mike Paine (1)	-	-	-	-	-	
	81,405	**7,404**	**88,809**	**68,602**	**6,174**	**74,776**

Note (1) Under WSCA, directors who are also Regional Corporation CEOs do not receive additional remuneration in their role as an Onstream Director.

REMUNERATION REPORT *(Continued)*

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

Senior Executive Remuneration	2012 Financial Year		2011 Financial Year	
	Base	Total	Base	Total
$0 - $9,999	1	-	-	-
$10,000 - $19,999	1	-	1	1
$20,000 - $29,999	1	-	-	-
$30,000 - $39,999	1	-	-	-
$40,000 - $49,999	-	1	-	-
$50,000 - $59,999	2	-	1	-
$60,000 - $69,999	-	-	2	2
$70,000 - $79,999	-	2	-	1
$80,000 - $89,999	-	-	1	1
$100,000 - $109,999	-	1	-	-
$120,000 - $129,999	-	-	2	-
$140,000 - $149,999	-	-	2	1
$150,000 - $159,999	1	-	-	-
$160,000 - $169,999	-	-	-	1
$170,000 - $179,999	1	1	-	2
$210,000 - $219,999	-	-	1	-
$240,000 - $249,999	-	1	-	-
$250,000 - $259,999	-	-	-	1
$260,000 - $269,999	-	1	-	-
$320,000 - $329,999	-	1	-	-
Total	**8**	**8**	**10**	**10**

- Base remuneration represents gross salary and non-monetary remuneration benefits.
- Total remuneration includes base salary, superannuation and where applicable bonuses and/or termination benefits. The bonus ('at risk') component is limited to 10% of the TEC for senior executives.
- A component of the Chief Financial Officer's remuneration is charged to Southern Water.

REMUNERATION REPORT *(Continued)*

Key Terms of Employment Contracts

Senior executive Staff

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

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

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

Non-executive 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;
- 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 OF AMOUNTS

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 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	Sarah Merridew
Chair	Director

10 August 2012

FINANCIAL STATEMENTS

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
(Common Services) Pty Ltd
169 Main Road
MOONAH TAS 7009

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 (Common Services) 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

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

Strive | Lead | Excel | To Make a Difference

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);

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

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

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

Miles Hampton

Chair

Sarah Merridew

Director

Tasmanian Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Members of Tasmanian Water and Sewerage Corporation (Common Services) 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 (Common Services) 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

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

Strive | Lead | Excel | To Make a Difference

	Notes	**2012 $'000**	2011 $'000
Continuing Operations			
Sales Revenue	4	16,291	16,050
Other Income from Operating Activities	4	76	104
Depreciation and Amortisation Expenses	5	(1,319)	(931)
Employee and Related Expenses	5	(6,827)	(7,064)
Administration Expenses	5	(6,174)	(7,527)
Write off of Leasehold Improvements and Furniture	5	(773)	-
Provision for Onerous Contracts	5	(705)	-
Net Profit before Net Financing Costs		569	632
Financing Income	4	35	47
Financing Expenses	5	(530)	(447)
Net Financing Costs		(495)	(400)
Net Profit before Income Tax Equivalents Expense		74	232
Income Tax Equivalents Expense	6.1	(22)	(70)
Net Profit after Income Tax Equivalents Expense	12.1	52	162
Other Comprehensive Income			
Actuarial Loss on Defined Benefit Plan	13	(270)	(104)
Income Tax Relating to Components of Other Comprehensive Income	6.2	81	31
Total Other Comprehensive Income		(189)	(73)
Total Comprehensive Income for the Period		(137)	89

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

Statement of Financial Position FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Notes	2012 $'000	2011 $'000
Current Assets			
Cash and Cash Equivalents	8.1	1,269	1,599
Receivables	8.2	2,786	864
Prepayments		398	640
Total Current Assets		4,453	3,103
Non-Current Assets			
Property, Plant and Equipment	9	1,296	2,345
Intangibles	10	3,918	4,371
Deferred Tax Assets	6.4	644	441
Total Non-Current Assets		5,858	7,157
Total Assets		10,311	10,260
Current Liabilities			
Borrowings	11.1	2,000	2,500
Employee Benefits	11.2	627	1,122
Payables	11.3	903	1,796
Unearned Income	11.4	50	50
Current Tax Liability	6.3	160	12
Total Current Liabilities		3,740	5,480
Non-Current Liabilities			
Borrowings	11.1	5,000	4,000
Employee Benefits	11.2	747	473
Unearned Income	11.4	109	160
Provisions	11.5	705	-
Total Non-Current Liabilities		6,561	4,633
Total Liabilities		10,301	10,113
Net Assets		10	147
Equity			
Retained Profits	12.1	10	147
Contributed Equity	12.2	-	-
Total Equity		10	147

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

	Notes	2012 $'000	2011 $'000
Cash Flows from Operating Activities			
Receipts from Customers		16,197	17,863
Receipts from Other Sources		25	-
Payments to Suppliers and Employees		(15,987)	(14,244)
Interest Received		32	47
Interest Paid		(429)	(438)
Guarantee Fees Paid to Councils		(59)	(51)
Income Tax Equivalents Paid	6.3	(18)	(83)
Net Cash from Operating Activities	19.1	(239)	3,094
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(705)	(3,488)
Proceeds from Sale of Property, Plant and Equipment		114	72
Net Cash from used in Investing Activities		(591)	(3,416)
Cash Flows from Financing Activities			
Proceeds from Borrowings		3,000	2,000
Repayment of Borrowings		(2,500)	(2,000)
Net Cash from Financing Activities		500	-
Net decrease in Cash and Cash Equivalents		(330)	(322)
Cash and Cash Equivalents at the Beginning of the Year		1,599	1,921
Cash and Cash Equivalents at the End of the Year	19.2	1,269	1,599

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

Statement of Changes in Equity FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Notes	Retained Profits $'000	Contributed Equity $'000	Total Equity $'000
Balance as at 1 July 2010		58	-	58
Net Profit after Income Tax Equivalents Expense	12.1	162	-	162
Other Comprehensive Income		(73)	-	(73)
Balance as at 30 June 2011		147	-	147
Net Profit after Income Tax Equivalents Expense	12.1	52	-	52
Dividends Paid	12.1	-	-	-
Other Comprehensive Income		(189)	-	(189)
Balance as at 30 June 2012		10	-	10

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

1 General Information

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

Onstream is owned by the Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd trading as Southern Water, the Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited trading as Ben Lomond Water and the Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Limited trading as Cradle Mountain Water. Each owner holds one share in Onstream with each share attracting equal voting rights.

The principal activities of the Corporation are the provision of various professional services including: information technology, billing, payroll, procurement and financial services.

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
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets
AASB 1054 'Australian Additional Disclosures'	Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 132,137 and 139]

2.3 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 2010-10 'Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First Time Adopters'	1 January 2013	30 June 2014
AASB 2011-4 'Further amendments to Australian Accounting Standards to remove individual personnel disclosure requirements'	1 July 2013	30 June 2014
AASB 13 'Fair Value Measurement'	1 January 2013	30 June 2014
AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'.	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of other items of other Comprehensive Income'	1 July 2012	30 June 2013
AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (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

2 Application of new and revised Accounting Standards (continued)

2.3 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED (continued)

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.

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 3.13 and 13.

3.4 REVENUE RECOGNITION

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

Service Income

Consulting income from provision of services including information technology, billing, payroll, procurement and financial services is recognised on the basis of work completed and with regard to the contractual agreements that exist with the client.

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.

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.

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 sheet date, and any adjustment to tax payable in respect of previous years.

Income tax equivalent payments are distributed to owner Councils in accordance with the Treasurer's Allocation Order.

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

Trade receivables are recognised at their amortised cost less an allowance for impairment losses. Doubtful debts are written off when collection is no longer probable. Trade receivables comprise consulting service customers and other sundry debtors.

3.9 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisition of Property, Plant and Equipment

Property, plant and equipment are initially recorded at the cost of acquisition. Cost is determined as the purchase value of the asset at the date of acquisition plus costs incidental to the acquisition including applicable borrowing and financing expenses (Refer Note 9).

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

Property, plant and equipment including motor vehicles, leasehold improvements, furniture, fittings, telemetry equipment and IT hardware are stated at cost less accumulated depreciation and accumulated impairment adjustments. (Refer Note 9).

(c) 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 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:

Leasehold Improvements:	2 - 10 years
Other Assets:	2 - 25 years

(d) 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.

3.10 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.

3.11 INTANGIBLE ASSETS

(a) Acquired separately

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

(b) Internally-generated

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

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

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

(c) Amortisation

Amortisation of intangible assets is calculated on an individually assessed economic life using the straight-line method of amortisation, so as to write off the net cost (or previously revalued amounts) of each asset over its expected useful life. The estimated useful life of computer software is between 2.5 and 10 years

3.12 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 sheet date.

The Corporation's other assets do not generate largely independent cash flows, therefore in undertaking the impairment testing it has been determined that the Corporation's asset operate as a single cash-generating unit. 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.

3.13 EMPLOYEE ENTITLEMENTS

(a) Wages, Salaries and Annual Leave

A liability is recognised for benefits accruing to employees in respect of wages, salaries and annual leave 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 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

In calculating present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. 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 long service leave is recognised and is measured on the basis of the present value of the expected future cash outflows at balance date, including superannuation. The market yields on government bonds are used to determine the present value of the future cash flows. The classification of the liability for long service leave is on the basis that entitlements in respect of service greater than 10 years are shown as a current liability.

(c) Superannuation

Provision is made for the Corporation's future liability for employees' superannuation entitlements under the Retirement Benefits Fund Scheme, the Public Servants Retiring and Death Allowances Scheme and the Quadrant Defined Benefits Scheme (for former employees of the Launceston City Council). The provision is fully provided for by the Corporation (Refer Note 13).

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

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

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

The Corporation also makes superannuation contributions for a number of its employees to another Quadrant Defined Benefits Fund, which is a sub fund of the Quadrant Superannuation Scheme. This Fund is classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary, Bendzulla Actuarial Pty Ltd, is unable to allocate benefit liabilities, assets and costs between employees. As provided under paragraph 32 (b) of AASB119, the Corporation does not use defined benefit accounting for these contributions.

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

3.14 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.

3.15 BORROWING AND FINANCING EXPENSES

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

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

Included in Borrowing and Financing Expenses is the Government Guarantee Fee (GGF) which is administered by the Department of Treasury and Finance Tasmania. 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 the Regional Corporations' owner Councils.

3.16 PAYABLES

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

3.17 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.

3.18 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.

3.18.1 FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets 'at fair value through 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.

3.18.2 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.

<u>Other Financial Liabilities</u>

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.

3.19 COMPARISONS WITH PREVIOUS YEAR

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

	2012 $'000	2011 $'000
4. Revenue		
Sales Revenue:		
Base Service Income Charged to Owners (Refer Note 18.3)	12,436	12,823
Optional Service Income Charged to Owners (Refer Note 18.3)	1,125	694
Other Income from Owners (Reimbursement of Costs)[1] (Refer Note 18.3)	2,708	2,391
Service Income from External Sources	22	142
Total Sales Revenue	16,291	16,050
Other Income from Operating Activities:		
Government Grants	50	42
Profit on Disposal of Property, Plant and Equipment	-	32
Other	26	30
Total Other Income from Operating Activities	76	104
Financing Income:		
Interest Received - Deposits and Investments	35	47
Total Financing Income	35	47
Total Revenue	16,402	16,201

[1] Includes directors fees, legal fees, IT hardware, telecommunication costs, consultancies

	2012 $'000	2011 $'000
5. Expenses		
Depreciation and Amortisation Expenses:		
Leasehold Improvements	42	94
Other Assets	418	338
Intangibles	859	499
Total	1,319	931
Employee and Related Expenses:		
Salaries and On-Costs	6,630	7,286
Less Capitalised Salaries	(65)	(612)
Training and Travel	123	185
Other	139	205
Total	6,827	7,064

	2012 $'000	2011 $'000
5. Expenses continued		
Administration Expenses:		
Insurance	58	48
Rates, Land Tax and Property Costs	827	631
Consultancies	18	66
Information Systems and Communications	1,939	1,805
Loss on Disposal of Property, Plant and Equipment	1	-
Call Centre Costs	41	233
Printing, Postage and Bank Fees	59	1,375
Billing Services provided by Councils	-	134
Public Relations	4	53
Costs Reimbursed by Owners(1)	2,708	2,391
Cost of Providing Optional and External Services (excluding salaries)	116	380
Other Administration	403	411
Total	6,174	7,527
(1) Includes directors fees, legal fees, IT hardware, telecommunication costs, consultancies		
Financing Expenses:		
Interest Expense - Borrowings	429	407
Government Guarantee Fee Expense (paid to owner Councils)	64	52
Less Amount Capitalised(2)	-	(41)
Interest Expense - Superannuation	35	26
Credit Rating Review	2	3
Total	530	447
(2) Average capitalisation rate is 0% p.a. (2011: 7.10% p.a.)		
Write off of Leasehold Improvements and Furniture (Refer Note 9)	773	-
Onerous Contract Provision (Refer Note 11.5)	705	-
Total Expenses	16,328	15,969
6. Income Tax Equivalents		
6.1 Income Tax equivalents recognised in Statement of Comprehensive Income		
Current Tax equivalents	166	116
Deferred Tax equivalents relating to the origination and reversal of temporary differences	(144)	(46)
Total Income Tax equivalents expense	22	70

		2012 $'000	2011 $'000
6.	**Income Tax Equivalents (continued)**		
6.1	**Income Tax equivalents recognised in Statement of Comprehensive Income (continued)**		
	Attributable to continuing operations	22	70
		22	70
	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	74	232
	Income Tax equivalents calculated at 30%	22	70
	Non-deductible expenses	-	-
	Income Tax equivalents expense	22	70
	The tax equivalent rate used in the reconciliation above is the National Tax equivalent rate of 30% payable by Australian National Tax equivalent entities on profits under Australian Tax law.		
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 loss on defined benefit plan	81	31
	Total	81	31
6.3	**Current Tax equivalent assets and liabilities**		
	Opening balance	(12)	21
	National Tax equivalent payable - current year	(166)	(116)
	Instalments paid - current year	18	83
	Closing balance	(160)	(12)
6.4	**Deferred Tax equivalent assets and liabilities**		
	Deferred Tax equivalent assets comprise:		
	Temporary differences	692	510
	Total	692	510
	Deferred Tax equivalent liabilities comprise:		
	Temporary differences	(48)	(69)
	Total	(48)	(69)
	Net deferred Tax equivalent assets:	644	441

6. Income Tax Equivalents (continued)

6.4 Deferred Tax equivalent assets and liabilities

Taxable and deductible differences arise from the following:

30 June 2012	Opening balance $'000	Charged to Income $'000	Charged to Equity $'000	Acquisitions / Disposals $'000	Closing balance $'000
Deferred Tax equivalent assets:					
Property, Plant and Equipment	9	53	-	-	62
Provisions	423	95	81	(22)	577
Other	78	(25)	-	-	53
	510	123	81	(22)	692
Deferred Tax equivalent liabilities:					
Property, Plant and Equipment	(67)	67	-	-	-
Other	(2)	(46)	-	-	(48)
	(69)	21	-	-	(48)
Net deferred Tax equivalent assets:	441	144	81	(22)	644
Attributable to:					
Continuing operations	441				644

30 June 2011	Opening balance $'000	Charged to Income $'000	Charged to Equity $'000	Acquisitions / Disposals $'000	Closing balance $'000
Deferred Tax equivalent assets:					
Property, Plant and Equipment	9	-	-	-	9
Provisions	336	56	31	-	423
Other	19	59	-	-	78
	364	115	31	-	510
Deferred Tax equivalent liabilities:					
Property, Plant and Equipment	-	(67)	-	-	(67)
Other	-	(2)	-	-	(2)
	-	(69)	-	-	(69)
Net deferred Tax equivalent assets:	364	46	31	-	441
Attributable to:					
Continuing operations	364				441

		2012 $'000	2011 $'000
7.	**Dividends**		
	No dividends were declared or paid during the 2012 financial year (2011: Nil).		
8.	**Current Assets**		
8.1	**Cash and Cash Equivalents**		
	Cash at Bank and on Hand	260	1,599
	Cash Management Account with Tascorp	1,009	-
	Total	1,269	1,599
8.2	**Receivables**		
	Trade Receivables	2,349	783
	Less Allowance for Impaired Trade Receivables	-	-
	Net GST Receivable	-	70
	Other Current Receivables	437	11
	Total	2,786	864
	An ageing analysis of receivables is provided in Note 20.3 (credit risk management).		
9.	**Property, Plant and Equipment**		
	Leasehold Improvements		
	At Cost	-	969
	Accumulated Depreciation	-	(187)
	Total	-	782
	Other Assets		
	At Cost	2,288	2,039
	Accumulated Depreciation	(992)	(589)
	Total	1,296	1,450
	Work In Progress - at Cost	-	113
	Total	1,296	2,345

9. Property, Plant and Equipment (continued)

Property, Plant and Equipment - Reconciliation

Asset Group ($'000)	Leasehold Improvement at Cost	Other Assets at Cost	Work In Progress at Cost	Total
Net Book Value as at 1 July 2010	824	1,434	188	2,446
Additions at Cost	52	242	77	371
Transfers from Work in Progress	-	152	(152)	-
Disposals	-	(40)	-	(40)
Depreciation Expenses	(94)	(338)	-	(432)
Net Book Value as at 30 June 2011	782	1,450	113	2,345
Net Book Value as at 1 July 2011	782	1,450	113	2,345
Additions at Cost	-	122	177	299
Transfers from Work in Progress	-	290	(290)	-
Disposals	-	(115)	-	(115)
Depreciation Expenses	(42)	(418)	-	(460)
Assets Written Off[1]	(740)	(33)	-	(773)
Net Book Value as at 30 June 2012	-	1,296	-	1,296

[1] Leasehold improvements relating to two of the Corporation's tenancies that have now been vacated were written off during the year. In addition, furniture that remained at the vacated tenancies was written down to its recoverable amount.

	2012 $'000	2011 $'000
10. Intangibles		
Computer Software and Systems Development		
At Cost	5,527	5,011
Accumulated Amortisation	(1,622)	(763)
	3,905	4,248
Work in Progress - at Cost	13	123
Total	3,918	4,371

	Software $000	Work in Progress $000	Total $000
Net Book Value as at 1 July 2010	1,286	394	1,680
Additions at cost	11	3,179	3,190
Transfers from Work in Progress	3,450	(3,450)	-
Disposals	-	-	-
Amortisation Expenses	(499)	-	(499)
Net Book Value as at 30 June 2011	4,248	123	4,371
Net Book Value as at 1 July 2011	4,248	123	4,371
Additions at cost	155	251	406
Transfers from Work in Progress	361	(361)	-
Disposals	-	-	-
Amortisation Expenses	(859)	-	(859)
Net Book Value as at 30 June 2012	3,905	13	3,918

	2012 $'000	2011 $'000
11. Current and Non-Current Liabilities		
11.1 Borrowings		
All borrowings have been transacted through the Tasmanian Public Finance Corporation (Tascorp). All borrowings are secured by a guarantee from shareholders.		
Borrowings:		
Current Liabilities	2,000	2,500
Non-Current Liabilities	5,000	4,000
Total Borrowings	7,000	6,500
Credit Facilities		
At 30 June 2012 the Corporation had access to the following finance facilities:		
Master Loan Borrowing Limit - Tascorp		
Facility	9,000	11,500
Less used/committed	(7,000)	(6,500)
Balance	2,000	5,000
Corporate MasterCard		
Facility	100	100
Less used/committed	(5)	(17)
Balance	95	83
11.2 Employee Benefits		
Current:		
Annual Leave[1]	320	567
Long Service Leave[1]	134	349
Accrued Salaries and Wages	154	171
Defined Benefit Superannuation - RBF (Refer Note 13.1)	19	35
Total	627	1,122
Non-Current:		
Long Service Leave[1]	116	126
Defined Benefit Superannuation - RBF (Refer Note 13.1)	579	304
Defined Benefit Superannuation - Quadrant (Refer Note 13.2)	52	43
Total	747	473
Total	1,374	1,595

[1] The employee benefits provision at 30 June 2012 included attributable on-costs and superannuation of $84,156 (2011: $142,800)

	2012 Employees	2011 Employees
11. Current and Non-Current Liabilities (continued)		
11.2 Employee Benefits (continued)		
Number of Full Time Equivalent Employees at year end	60	68

	2012 $'000	2011 $'000
11.3 Payables		
Trade Creditors	209	526
Accrued Expenses	518	1,180
Accrued Interest Expense	92	90
Net GST payable	84	-
Total	903	1,796
11.4 Unearned Income		
Current:		
Government grants (Refer Note 3.4)	50	50
	50	50
Non-current:		
Government grants (Refer Note 3.4)	109	160
Total	159	210
11.5 Provisions		
Onerous contracts provision[1]	705	-
Total	705	-

[1] An onerous contracts provision has been raised during the year with respect to two non-cancellable operating leases relating to office accommodation that has now been vacated. The Corporation is actively pursuing a sub lease for both tenancies.

12. Members' Equity

The Corporation is owned by Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd trading as Southern Water, Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited trading as Ben Lomond Water and Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Limited trading as Cradle Mountain Water. Each owner holds one share in the Corporation with each share attracting equal voting rights. All ordinary shares rank pari passu in all respects, except for the dividend rights and equity rights attaching to the shares which are determined by each owner's proportionate share of services purchased from the Corporation. Each share was issued for $1.

		2012 $'000	2011 $'000
12.1	**Retained Profits**		
	Opening Balance	147	58
	Actuarial Loss on defined benefit plan (net of Tax)	(189)	(73)
	Dividends paid (Refer Note 7)	-	-
	Profit after Income Tax Expense	52	162
	Closing Balance	10	147
12.2	**Contributed Equity**		
	Balance at the Beginning of Period	-	-
	Capital Issued during the Period[1]	-	-
	Balance at the End of Period	-	-

[1] Each of the three owners hold one share with each share having equal voting rights and issued at $1.

13. Superannuation and Defined Benefit Plans

Two defined benefit superannuation liabilities, Retirement Benefits Fund (RBF) and Quadrant, were transferred to the Corporation from Southern Water, Ben Lomond Water and Cradle Mountain Water on 1 July 2009. Disclosures regarding these two funds are provided in Notes 13.1 and 13.2 respectively.

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

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

Bendzulla Actuarial Pty Ltd undertook the last actuarial review of the Fund at 30 June 2011. The review disclosed that at that time the net market value of assets available for funding member benefits was $57,588,247, the value of vested benefits was $52,794,839, the surplus over vested benefits was $4,793,408, and the value of total accrued benefits was $57,330,437. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Quadrant Superannuation Scheme's financial statements for employees.

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

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

The actuarial review concluded that:

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

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

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

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

13. Superannuation and Defined Benefit Plans (continued)

13.1 RBF Defined Benefit Superannuation Liability

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

As at 30 June 2012, Mercer (Australia) Pty Ltd conducted a valuation of the past service and accrued liabilities for the Corporation, within the RBF superannuation fund. Any shortfall between the values of these benefits and the market value of the RBF assets relevant for those members determines the value of any unfunded superannuation and is shown as a liability in the statement of financial position. These amounts are included in the superannuation liability reported in Note 11.2 above. The funding status of the Corporation's share of this scheme as at 30 June 2012, based on the actuarial valuation, is summarised as follows:

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

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

The discount rate is based on the market yields on the longest dated Government Bonds as at 30 June 2012 extrapolated to allow for the fact that the term of the liabilities exceeds the term of the longest Government Bond and adjusted to allow for investment tax, based on the expected rate of tax payable by the Fund. The decrement rates used (eg: mortality and retirement rates) are based on those used at the last actuarial valuation of the Fund.

Operating Costs

Operating costs for the Fund as a whole were assumed to be incurred at the rate of 1.5% of salaries plus 1.0% of pensions in payment. This cost has then been allocated to each authority in proportion to assets.

Temporary Invalidity Expense

The cost of temporary invalidity benefits was assumed to be 0.2% of salaries of current contributory members. This cost has then been allocated to each authority in proportion to assets.

Fund Assets disclosure	2012	2011
Australian Equities	29%	25%
Overseas Equities	18%	22%
Property	33%	19%
Fixed Income	12%	13%
Other	5%	18%
Cash	3%	3%

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.

13. Superannuation and Defined Benefit Plans (continued)

13.1 RBF Defined Benefit Superannuation Liability (continued)

	2012 $'000	2011 $'000
Statement of financial position results as at 30 June - Net liability		
Present value of defined benefit obligation	687	462
Less fair value of plan assets	89	123
Deficit (surplus)	598	339
Unrecognised past service cost	-	-
Unrecognised net (gain) loss	-	-
Adjustment for Limitation on net assets	-	-
Net superannuation liability (asset)	598	339
Current net liability (Refer Note 11.2)	19	35
Non-current net liability (Refer Note 11.2)	579	304
	598	339
Expense Recognised in the Statement of Comprehensive Income		
Employer service cost	19	14
Expected return on plan assets	(9)	(6)
Expense recognised in employee related expenses	10	8
Interest cost	24	16
Expense recognised in net financing costs	24	16
Total Expense Recognised in the Statement of Comprehensive Income	34	24
Amounts Recognised in Other Comprehensive Income		
Cumulative amount of actuarial (gains)/losses at end of prior year	338	241
Actuarial (gains)/losses recognised during the year	260	97
Cumulative amount of actuarial (gains)/losses at end of current year	598	338

13. Superannuation and Defined Benefit Plans (continued)

13.1 RBF Defined Benefit Superannuation Liability (continued)

	2012 $'000	2011 $'000
Reconciliation of Fair Value of Scheme Assets		
Fair value of plan assets at beginning of the year	123	85
Estimated employer contributions	35	23
Estimated contributions by plan participants	18	10
Estimated taxes, premiums and expenses paid	(1)	(1)
Estimated benefit payments	(56)	(36)
Expected return on plan assets	9	6
Expected assets at year end	128	87
Actuarial gain (loss) on assets	(39)	36
Individual plan assets at year end	89	123
Actual return on plan assets[1]	(29)	41

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

	2012 $'000	2011 $'000
Present Value of the Defined Benefit Obligations		
Present value of defined benefit obligations at beginning of the year	462	326
Current Service Cost	19	14
Interest cost	24	16
Estimated contributions by plan participants	18	10
Estimated taxes, premiums and expenses paid	(1)	(1)
Estimated benefits paid	(56)	(36)
Expected defined benefit obligations at year end	466	329
Actuarial (gain) loss on liabilities	221	133
Actual total defined benefit obligations at year end	687	462

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

	2012 $'000	2011 $'000	2010 $'000
Historical information			
Total defined benefit obligation	687	462	326
Less actual assets at year end	89	123	85
Deficit/(surplus)	598	339	241
Experience adjustment on liabilities	50	135	25
Experience adjustment on assets	39	(36)	(1)

13. Superannuation and Defined Benefit Plans (continued)

13.1 RBF Defined Benefit Superannuation Liability (continued)

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 $19,000.

13.2 Quadrant Defined Benefit Superannuation Liability

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

As at 30 June 2012, Bendzulla Actuarial Pty Ltd conducted a valuation of the past service and accrued liabilities for the Corporation, within the Quadrant Superannuation Fund. Any shortfall between the values of these benefits and the market value of the Quadrant assets relevant for those members determines the value of any unfunded superannuation and is shown as a liability in the statement of financial position. These amounts are included in the superannuation liability reported in Note 11.2. 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 gross of Tax	**2.90%**	5.20%
Expected salary increase rate	**3.50%**	4.00%
Expected return on plan assets[1]	**5.79%**	5.78%

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

The discount rate is based on the market yields on the longest dated Government Bonds as at 30 June 2012 extrapolated to allow for the fact that the term of the liabilities exceeds the term of the longest Government bond and adjusted to allow for investment tax, based on the expected rate of tax payable by the Fund. The decrement rates used (eg: mortality and retirement rates) are based on those used at the last actuarial valuation of the Fund.

	2012	2011
Asset Allocations		
Australian equities	**30.9%**	31.0%
Overseas equities	**29.5%**	27.0%
Property	**13.2%**	12.0%
Fixed interest securities	**14.3%**	13.0%
Other	**8.6%**	8.0%
Cash	**3.5%**	9.0%

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
13. Superannuation and Defined Benefit Plans (continued)		
13.2 Quadrant Defined Benefit Superannuation Liability (continued)		
Statement of financial position results as at 30 June - Net liability		
Present value of defined benefit obligation at end of year	291	255
Less fair value of Fund assets at end of the year	239	212
Deficit (surplus)	52	43
Net liability (asset) recognised in balance sheet at end of year	52	43
Current net liability (Refer Note 11.2)	-	-
Non-current net liability (Refer Note 11.2)	52	43
	52	43
Expense Recognised in the Statement of Comprehensive Income		
Current Service Cost	11	8
Expected return on Fund assets	(12)	(12)
Expense recognised in employee related expenses	(1)	(4)
Interest cost	11	10
Expense recognised in net financing costs	11	10
Total Expense Recognised in the Statement of Comprehensive Income	10	6
Amounts Recognised in Other Comprehensive Income		
Cumulative amount of actuarial (gains)/losses at end of prior year	(20)	(27)
Actuarial (gains)/losses recognised during the year	10	7
Cumulative amount of actuarial (gains)/losses at end of current year	(10)	(20)
Reconciliation of Fair Value of Fund Assets		
Fair value of Fund assets at start of year	212	194
Employer contribution	10	8
Member contributions and transfers from the other funds	8	6
Estimated benefit payments	(3)	(2)
Expected return on assets	12	12
Expected assets at year end	239	218
Actuarial gain (loss) on assets	-	(6)
Fair value of fund assets at end of year	239	212
Actual return on plan assets[1]	12	5

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

13. Superannuation and Defined Benefit Plans (continued)

13.2 Quadrant Defined Benefit Superannuation Liability (continued)

Present Value of the Define Benefit Obligations

	2012 $'000	2011 $'000
Present value of defined benefit obligations at start of year	255	233
Current service cost	11	8
Interest cost	11	10
Member contributions and transfers from other funds	8	6
Actual operating costs (administration, insurance)	-	-
Benefits and tax paid	(3)	(2)
Expected defined benefit obligations at year end	281	255
Actuarial (gain) loss on liabilities	10	-
Present value of defined benefit obligation at end of year	291	255

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

	2012 $'000	2011 $'000	2010 $'000
Historical information			
Present value of defined benefit obligation at end of year	291	255	233
Less fair value of Fund assets at end of the year	239	212	194
Deficit (surplus)	52	43	39
Experience adjustment - Fund liabilities	39	(5)	157
Experience adjustment - Fund assets	-	(7)	(117)

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 $8,173.

	2012 $'000	2011 $'000
14. Commitments for Expenditure		
14.1 Capital Commitments		
Capital commitments totalling $397,528 under contracts as at 30 June 2012 are not provided for in the financial statements.		
Payments within 1 year	398	569
Payments 1 – 5 years	-	-
Payments longer than 5 years	-	-
Total	398	569
Reconciliation of Capital Commitments		
Plant and Equipment	-	393
Other	398	176
	398	569
14.2 Lease Commitments		
Lease payments expensed during the period	616	1,011
Operating Lease Liability		
Payments within 1 year	1,060	1,165
Payments 1 – 5 years	1,850	2,212
Payments longer than 5 years	702	1,000
Total	3,612	4,377

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

15. Contingent Assets/Liabilities

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

16. Remuneration of Auditors

	2012 $'000	2011 $'000
Audit Services - Tasmanian Audit Office		
Annual external audit fee	15	15
Total fees, exclusive of GST	15	15

	2012 $'000	2011 $'000
17. Compensation of Key Management Personnel		
Directors		
Short-Term	**81,405**	68,602
Post Employment (superannuation)	**7,404**	6,174
Other Key Management Personnel		
Short-Term	**688,830**	1,089,674
Post Employment (superannuation)	**81,392**	99,997
Other Long-Term	**37,938**	-
Termination Benefits	**607,045**	33,455
	1,504,014	1,297,902

Further details on the remuneration 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 (Chair)
- Ms Jane Bennett
- Mr Barry Cash
- Mr Andrew Kneebone
- Ms Sarah Merridew
- Mr Mike Paine

	2012 $	2011 $
Other expenses associated with the Board are as follows:		
Travel, accommodation and meals	**7,604**	4,378
Director professional development	**-**	159
	7,604	4,537

18. Related Party Disclosures (continued)

18.2 Transactions with Director Related Parties

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

The Corporation provided a range of professional services to Tasmanian Railway Pty Ltd of which Sarah Merridew is a Director.

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

18.3 Transactions with Other Related Parties

The Corporation provides various services to its three owners including information technology, billing, payroll, procurement and financial services. The Owner corporations have a common Chairman (M. Hampton) who is also Chairman of the Corporation. The Chief Executive of each Owner corporation is also a director of the Corporation. Transactions were not conducted on an "arm's length" basis as the Owner corporations were involved in the setting of prices. Total sales (exclusive of GST) and amounts receivable were:

Service Income for the year ended 30 June 2012	Base Service Income Year Ended 30 Jun 2012 $'000	Optional Service Income Year Ended 30 Jun 2012 $'000	Reimbursement of Other Costs Year Ended 30 Jun 2012 $'000	Amount Receivable as at 30 Jun 2012 $'000
Southern Water	5,851	774	1,126	798
Ben Lomond Water	3,240	174	706	733
Cradle Mountain Water	3,345	177	876	803
Total	12,436	1,125	2,708	2,334

Service Income for the year ended 30 June 2011	Base Service Income Year Ended 30 Jun 2011 $'000	Optional Service Income Year Ended 30 Jun 2011 $'000	Reimbursement of Other Costs Year Ended 30 Jun 2011 $'000	Amount Receivable as at 30 Jun 2011 $'000
Southern Water	6,046	529	1,136	387
Ben Lomond Water	3,316	84	567	184
Cradle Mountain Water	3,461	81	688	207
Total	12,823	694	2,391	778

18. Related Party Disclosures (continued)

18.3 Transactions with Other Related Parties (continued)

The Corporation makes payments to the owners for building rental, reimbursement of costs 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	Purchases Year Ended 30 Jun 2012 $'000	Amount Payable as at 30 Jun 2012 $'000
Southern Water	275	16
Ben Lomond Water	125	35
Cradle Mountain Water	42	-
Total	442	51

Purchases for the year ended 30 June 2011	Purchases Year Ended 30 Jun 2011 $'000	Amount Payable as at 30 Jun 2011 $'000
Southern Water	448	-
Ben Lomond Water	329	49
Cradle Mountain Water	233	8
Total	1,010	57

19. Notes to the Statement of Cash Flow

19.1 Reconciliation of Net Cash Flow from Operating Activities to Operating Result

	2012 $'000	2011 $'000
Net Profit before Income Tax Equivalents	74	232
Depreciation and Amortisation Expense	1,319	931
Write off of Leasehold Improvements and Furniture	773	-
Provision for Onerous Contracts	705	-
Capitalised Interest	-	(41)
Loss (Profit) on Sale of Non-Current Assets	1	(32)
Less grants of assets	(50)	-
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(1,923)	2,476
Decrease (Increase) in Prepayments	242	192
(Decrease) Increase in Payables	(893)	(798)
(Decrease) Increase in Employee Benefits	(469)	217
Increase (Decrease) in Other Liabilities	-	-
Income Tax Equivalents Paid	(18)	(83)
Cash Flows from Operating Activities	(239)	3,094

19.2 Reconciliation of Cash and Cash Equivalents

	2012 $'000	2011 $'000
Cash Management Account with Tascorp	1,009	-
Cash at Bank and on Hand	260	1,599
Cash as per Statement of Cash Flows	1,269	1,599

20. Financial Instruments

20.1 Significant Accounting Policies

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

Details of significant accounting policies and methods adopted in the recognition and measurement with respect to each class of financial assets and liabilities are included under Notes 3.7, 3.8, 3.14, 3.15, 3.16 and 3.18.

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

Financial Instruments	**2012 Carrying Amount $'000**	2011 Carrying Amount $'000
Financial Assets		
Cash and cash equivalents	1,269	1,599
Loans and Receivables	2,786	864
Total Financial Assets	4,055	2,463
Financial Liabilities		
Payables at amortised cost	903	1,796
Borrowings at amortised Cost	7,000	6,500
Total Financial Liabilities	7,903	8,296

20. Financial Instruments (continued)

20.1 Significant Accounting Policies (continued)

Net income/(expense) on financial instruments were:

As at 30 June 2012	Interest Income and (Expense) $'000	Fee Income and (Expense) $'000	Impairment Loss $'000	Total $'000
Financial Assets				
Cash and cash equivalents	35	-	-	35
Loans and Receivables	-	-	-	-
Total Financial Assets	35	-	-	35
Financial Liabilities				
Payables at amortised cost	-	-	-	-
Borrowings at amortised Cost	(429)	(64)	-	(493)
Total Financial Liabilities	(429)	(64)	-	(493)
Net Income/(Expense) on Financial Instruments	(394)	(64)	-	(458)

As at 30 June 2011	Interest Income and (Expense) $'000	Fee Income and (Expense) $'000	Impairment Loss $'000	Total $'000
Financial Assets				
Cash and cash equivalents	47	-	-	47
Loans and Receivables	-	-	-	-
Total Financial Assets	47	-	-	47
Financial Liabilities				
Payables at amortised cost	-	-	-	-
Borrowings at amortised Cost	(407)	(52)	-	(459)
Total Financial Liabilities	(407)	(52)	-	(459)
Net Income/(Expense) on Financial Instruments	(360)	(52)	-	(412)

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.

20. Financial Instruments (continued)

20.2 Interest Rate Risk (continued)

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

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

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	260	-	-	-	-	260	3.40%
Cash Management Account	1,009	-	-	-	-	1,009	3.50%
Receivables	-	-	-	-	2,786	2,786	-
Total	1,269	-	-	-	2,786	4,055	-
Financial Liabilities							
Borrowings - Tascorp	-	(2,000)	(4,000)	(1,000)	-	(7,000)	6.08%
Payables	-	-	-	-	(903)	(903)	-
Total	-	(2,000)	(4,000)	(1,000)	(903)	(7,903)	-
Net Financial (Liabilities) Assets	1,269	(2,000)	(4,000)	(1,000)	1,883	(3,848)	-

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	1,599	-	-	-	-	1,599	4.65%
Receivables	-	-	-	-	864	864	-
Total	1,599	-	-	-	864	2,463	-
Financial Liabilities							
Borrowings - Tascorp	-	(2,500)	(3,000)	(1,000)	-	(6,500)	6.30%
Payables	-	-	-	-	(1,796)	(1,796)	-
Total	-	(2,500)	(3,000)	(1,000)	(1,796)	(8,296)	-
Net Financial (Liabilities) Assets	1,599	(2,500)	(3,000)	(1,000)	(932)	(5,833)	-

The table above highlights that the Corporation's total exposure to variable interest rates at 30 June 2012 was a net asset of $1,269,000 (2011: $1,599,000).

20. Financial Instruments (continued)

20.2 Interest Rate Risk (continued)

There is sufficient volatility in interest rates and it is reasonably possible rates may change over the next 12 months. The table below shows the impact on profit after tax and equity on a 0.25% increase and a 0.25% decrease in interest rates.

	Profit after tax higher/(lower) 0.25% increase 30 Jun 12 $'000	**Profit after tax higher/(lower) 0.25% decrease 30 Jun 12 $'000**	Profit after tax higher/(lower) 1% increase 30 Jun 11 $'000	Profit after tax higher/(lower) 1% decrease 30 Jun 11 $'000
Cash and cash equivalents	2	(2)	11	(11)
Total	2	(2)	11	(11)

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 $4,055,000 (2011: $2,463,000).

The Corporation's credit risk management policy minimises credit risk through limiting exposure to individual creditworthy counterparties, identifying credit exposure from financial instrument transactions and maintaining capital usage limits. For cash at bank it's the Corporations policy to only deal with Australian banks with a minimum Standard and Poor's long-term credit rating of A. The rating of counterparties are monitored on an ongoing basis.

All receivable balances are monitored on an ongoing basis with the result that the Corporation's exposure to bad debts is not significant. Provision for impairment is recognised for trade receivables when there is objective evidence that the receivable is uncollectable. Usually this refers to default of payment, customer hardship or other financial difficulty.

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

	2012 $'000	2011 $'000
Receivables		
Not past due	2,768	724
Past due 0-30 days	3	77
Past due 31-90 days	-	61
More than 90 days	15	2
Total	2,786	864

20. Financial Instruments (continued)

20.4 Liquidity Risk

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

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

	3 months or less $'000	3 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	> 5 years $'000
As at 30 June 2012					
Borrowings - Tascorp	1,082	1,286	1,280	3,461	1,029
Payables	903	-	-	-	-
Total	1,985	1,286	1,280	3,461	1,029
As at 30 June 2011					
Borrowings - Tascorp	2,574	261	1,229	2,334	1,034
Payables	1,796	-	-	-	-
Total	4,370	261	1,229	2,334	1,034

20.5 Foreign Exchange Risk

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

20. Financial Instruments (continued)

20.6 Net Fair Value

At balance date the Corporation did not hold any financial instruments which have been measured at fair value and recognised on the Statement of Financial Position. At 30 June the Corporation was not carrying any financial assets or liabilities which were tradeable on an active market with reference to quoted market prices. The Corporation had not entered into any derivatives or forward foreign currency contract at balance date. Accordingly there are no financial instruments to report in the level 1,2 or 3 of the fair value hierarchy for 30 June 2012 (2011: Nil). The Corporation has not disclosed a movement schedule for level 3 items in the hierarchy as there have been no transactions for the year ended 30 June 2012 (2011: Nil). The fair value of financial assets and financial liabilities at year end were:

	Total carrying amount per the statement of financial position		Aggregate net fair value	
Category	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Financial Assets				
Cash at Bank	**260**	1,599	**260**	1,599
Cash Management Account	**1,009**	-	**1,009**	-
Receivables	**2,786**	864	**2,786**	864
Total	**4,055**	2,463	**4,055**	2,463
Financial Liabilities				
Borrowings - Tascorp Loans	**7,000**	6,500	**7,355**	6,631
Payables	**903**	1,796	**903**	1,796
Total	**7,903**	8,296	**8,258**	8,427

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

- Cash, cash management and term deposits – the carrying amount approximates fair value due to the short-term nature of the instrument;
- Receivables, trade creditors and accruals – the carrying amount approximates fair value;
- Borrowings – are carried at amortised cost which is different to net fair value due to market rate sensitivity of the debt portfolio as at 30 June 2012. Borrowings held until maturity are paid at the carrying amount.

20.7 Capital Management Policy

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

As outlined in Notes 1, 12 and 21, the Corporation is jointly owned by the three Tasmanian regional water and sewerage corporations. The Corporation was established with nominal equity, with operations initially funded by debt capital secured by guarantee from shareholders.

The Corporation supports a target standalone credit rating of at least investment grade (S&P BBB; Moody's Baa). Given the owner guarantee arrangements and current capital structure, this is dependent on the creditworthiness of the regional water and sewerage corporations. For government guarantee fee purposes, the Department of Treasury and Finance Tasmania has assessed the creditworthiness of the Corporation and the regional water and sewerage corporations at investment grade or above.

21. Controlling Entities

The Corporation operates as an entity under the *Corporation Act 2001* and in accordance with the *Water and Sewerage Corporations Act 2008 (WSCA)* and the *Water and Sewerage Industry Act 2008 (WSIA)*. The Corporation is owned by the Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd trading as Southern Water, the Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited trading as Ben Lomond Water and the Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Limited trading as Cradle Mountain Water.

22. 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.