



taswater

Annual Report 2022-23

A decade of making a difference for Tasmania



TasWater proudly acknowledges the Tasmanian Aboriginal people as the Traditional Owners and Custodians of lutruwita / Tasmania – Aboriginal land, sea and waterways. We pay our deep respects to the Elders past and present and acknowledge today's Tasmanian Aboriginal community.

Contents

Chair and CEO message	6	Commercial and Economic	46
Year at a glance	12	Corporate governance	56
Operations overview	14	Corporate governance disclosure obligations	68
Strategy and structure	18	Financial Report	74
Customer and Community	22	Directors' Report	75
Bryn Estyn Water Treatment Plant	28		
People and Culture	30		
Water and Environment	38		
Tamar Estuary River Health Action Plan	44		

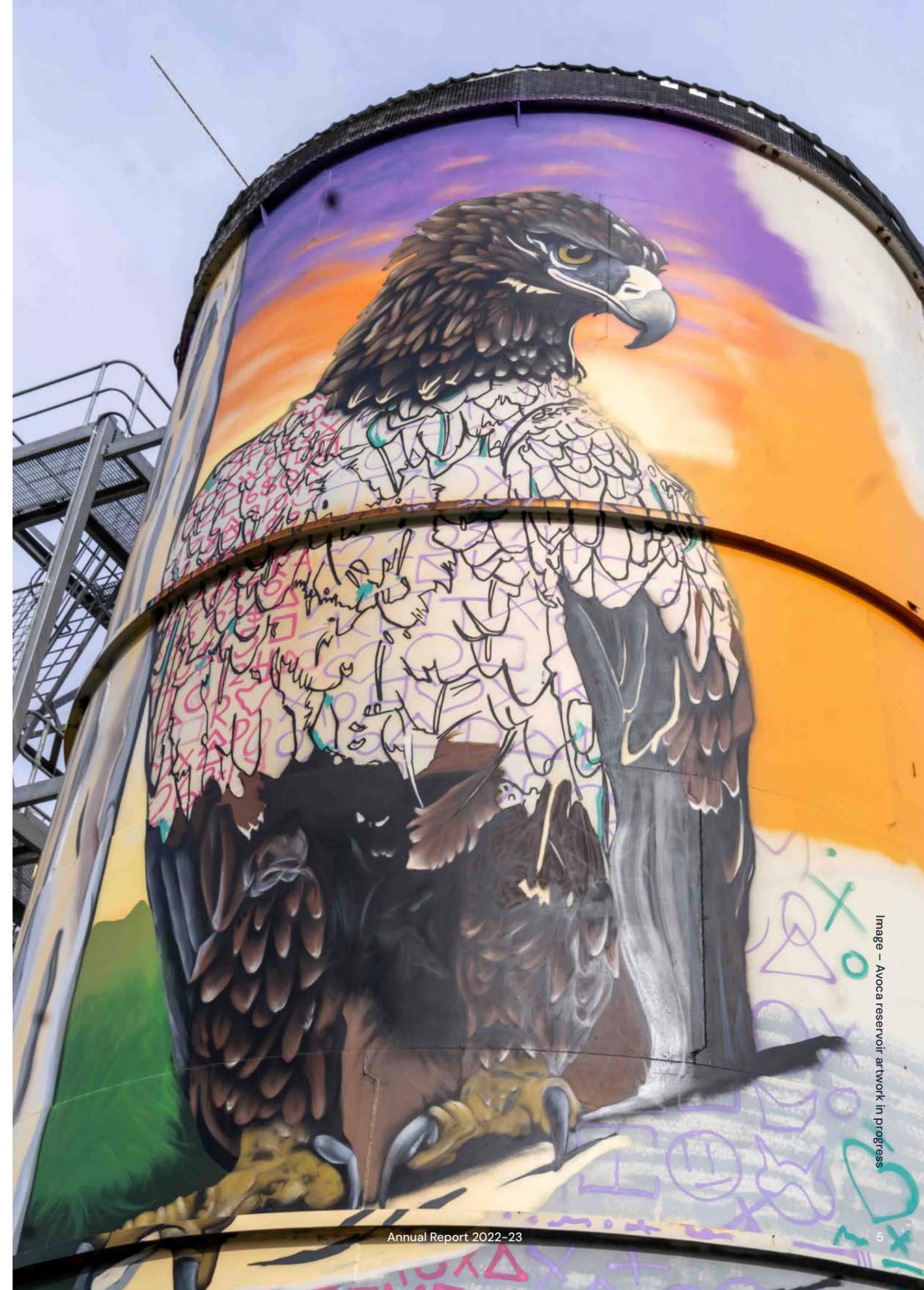


Image – Avoca reservoir artwork in progress

Chair and CEO message

We are delighted to present our 2022–23 Annual Report outlining our continued efforts to safeguard and enhance the wellbeing of Tasmanians through the provision of water and sewage services across the state.

A decade of making a difference for Tasmania

As the 2022–23 financial year drew to a close, we had reason to pause and celebrate a decade's service and achievement for the Tasmanian community.

We've come a long way since our formation in 2013, when we brought together the four separate regional water bodies under one banner.

An initial focus on compliance saw us add 30 new water treatment plants with upgraded treatment processes across the state. These projects ultimately brought 24 towns off

long-standing boiled water notices, giving thousands of customers newfound confidence in the safety and cleanliness of Tasmanian drinking water supplies. In 2022–23 we achieved full microbiological compliance with the Australian Drinking Water Quality Guidelines for the fifth year in a row.

Since formation we've executed a capital infrastructure investment program of \$1.5 billion delivering better outcomes for the community and the environment. In the last seven years alone, we added 18,100 new connections to our water network and connected over 13,000 properties to wastewater. We also laid 342km of water mains and 186km of sewer mains.

“We have a bold and ambitious agenda to enhance Tasmania's precious natural environment, aspiring to net zero carbon emissions, zero nutrients into waterways from our operations, and 100% recycled water re-use, all by or before 2050.”



Chairman
Dr Stephen Gumley AO



Chief Executive Officer
Mr George Theo

A year of change and choice

With drinking water compliance now under control, the 2022-23 financial year was a year of change and making choices.

We consolidated the capital program and there was significant renewal within the executive leadership team.

Research undertaken during the year connected us to the feedback of 3,000 Tasmanian households and hundreds of businesses. This research brings customer expectations into clear focus so we can design the services that better meet their needs.

We reopened our face-to-face customer information centres in Hobart, Launceston and Devonport to support those who prefer to deal with us in person. This is all part of making it easier for customers to connect with us how

and when they want. Our engagement teams worked with over 4,000 stakeholders to ensure our capital program could be executed with as little disruption to the community as possible.

On 1 July 2022 our fourth Price and Service Plan (PSP4) saw customer prices increase by 3.5 per cent, a modest increase in the face of rising costs. This pricing surety will continue for our customers through until 1 July 2026, when our next plan will begin. In real dollars, our prices have decreased over the last few years, staying well under inflation despite increased costs to our business.

The average residential bill for TasWater customers was \$1,314 this financial year, below the national average of \$1,328. We know that raising prices at a time when many in the community are dealing with increasing financial stress is a delicate balancing act and we remain committed to ensuring those

vulnerable to, or already experiencing hardship, get our support early and when they need it.

We've been contributing to more vibrant liveable communities. Throughout the year we partnered with communities in Bellerive and Avoca to deliver iconic pieces of art on our reservoirs where previously slabs of bland steel once stood. These infrastructure murals are now points of pride and interest for these communities and we are committed to rolling the mural program out to other assets across the state in the coming year.

We have a bold and ambitious agenda to enhance Tasmania's precious natural environment, aspiring to net zero carbon emissions, zero nutrients into waterways from our operations, and 100 per cent recycled water re-use, all by 2050.

We are also aspiring to increase the amount of renewable energy we produce for ourselves to at least 30 per cent of energy usage over the same period.

We haven't set these targets lightly, and understand our customers and shareholders expect us to raise the bar and contribute to delivering better environmental outcomes for generations to come.

Over the last 12 months we've continued to focus on removing stormwater out of our sewer system, protecting waterways from sewer spills and investing in systems and technology to clamp down on water losses as part of our commitment to building a more resilient network.

We undertook vapour and dye testing throughout Tasmania to locate and stop stormwater entering our sewer network.

During the year we established 68 district metered areas (DMAs) to chase down water leaks that don't come to the surface, saving approximately 1.1 billion litres of water. Over the course of the next 12 months we will construct a further 159 DMAs which will be pivotal to achieving

our commitment of reducing non-revenue water to 13 per cent by 2025.

Better together

During the year we engaged staff through Our Next Big Step program to explore how we might evolve our strategy to deliver more for the Tasmanian community. This included an organisation-wide values assessment that will help us continue to foster a culture of inclusivity and excellence.

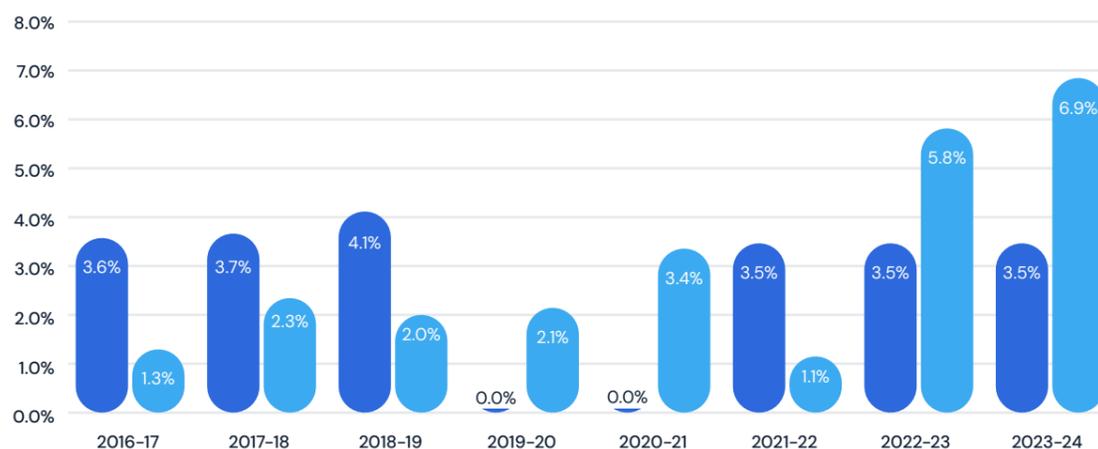
We reviewed our organisational structure, introduced new capabilities, and aligned functions to allow our teams to be more efficient and organised in a way that makes sense to our customers.

A new parental leave package supporting families and embracing a diverse, inclusive workplace for all was also launched during the year, coming into effect on 1 July 2023. Focused initiatives like this drive an engaged workforce, and make us an employer of choice in an increasingly competitive employment market.

Pleasingly in safety, we saw a small reduction in the total recordable injury rate from 11.6 last financial year to 10.7 in 2022-23. While this improvement is encouraging, we still have more

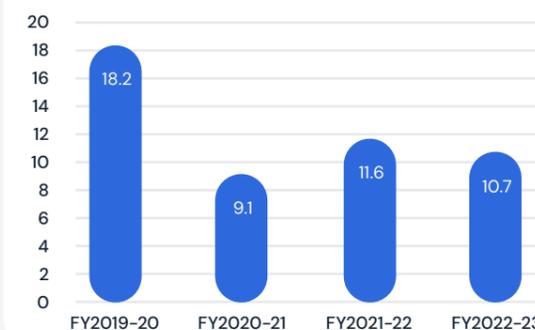
Price movement for TasWater average residential customer

% Increase



"Hobart CPI" is the March to March annual CPI increase to the Hobart Capital City Consumer Price Index, per Australian Bureau of Statistics. The March to March cycle is used as a convention in the regulated pricing context, as it's the last known CPI figure before prices are reset at 1 July.

Total recordable injury frequency rate



work to do in this space and we continue to work with our people and contractors to prevent injuries from occurring.

Big investments for the future

A \$209.2 million capital investment spend during the year continued our big build initiative that will see us invest \$1.5 billion over the coming five years to ensure a safe and reliable water future for a growing Tasmania.

The year saw work continue on the Bryn Estyn Water Treatment Plant upgrade, the largest

capital project ever undertaken by TasWater. Construction was delivered on time and under budget by TasWater, our alliance partnership with UGL Limited and CPB Contractors (members of the CIMIC Group), sub-alliance partner WSP, and the many other contractors who supported the project.

When officially opened in early 2023-24, the upgrade will lower the risk of water restrictions for Greater Hobart, providing high-quality drinking water for Tasmanians and creating capacity for growth over the next fifty years.

Positive progress has been made on the Tamar Estuary River Health Action Plan, with work completed on the St John Street Rising Main pipeline upgrade and the new Margaret Street Sewage Pump Station diversion chamber reducing overflows into the kanamaluka / Tamar estuary.

We turned the taps on in Pioneer in the northeast of Tasmania, with residents now able to enjoy high-quality water out of our Ringarooma plant. We also completed the Henderson Dam upgrade on Flinders Island, more than doubling capacity and providing residents with drinking water security for generations to come.

Pleasingly, 83 per cent of expenditure through our Capital Delivery Office, including 84 per cent of the contracts, landed with local Tasmanian businesses, providing a significant local economic benefit.

Throughout the year we continued to progress the Macquarie Point Waste Treatment Plant relocation project, opening up exciting development opportunities for the precinct.

In 2022-23 we delivered an underlying net profit of \$31.24 million, down marginally on the 2021-22 underlying net profit of \$31.92 million. This enabled total dividend payments of \$24 million to our Council Owners for the year, including \$4 million in special dividends to offset reduced distributions in prior years affected by COVID-19.

During the year, we also refined our payment terms for small vendors and from April 2023 we paid over 90 per cent of our small businesses within 20 days. This improved cash flow for the many small Tasmanian business partners we work with and is another example of our support for the local community.

Challenges ahead

As we look to the coming financial year, we know there are challenges ahead.

In the face of rising costs, customers are under increasing financial stress but also have higher service expectations of us. We must continue to strike the right balance of price and service that's fair for all, while remaining financially sustainable.

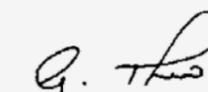
We've made real headway on our strategic agenda this year, with initiatives delivering tangible outcomes that are testament to a committed and passionate team.

We are grateful for the continued trust and support of our shareholders. Our deep partnerships with their various departments and teams on the ground are at the core of delivering great community outcomes for all of Tasmania.

In closing, we'd like to thank all staff, contractors, and the Board for their continued efforts. We truly are better together.

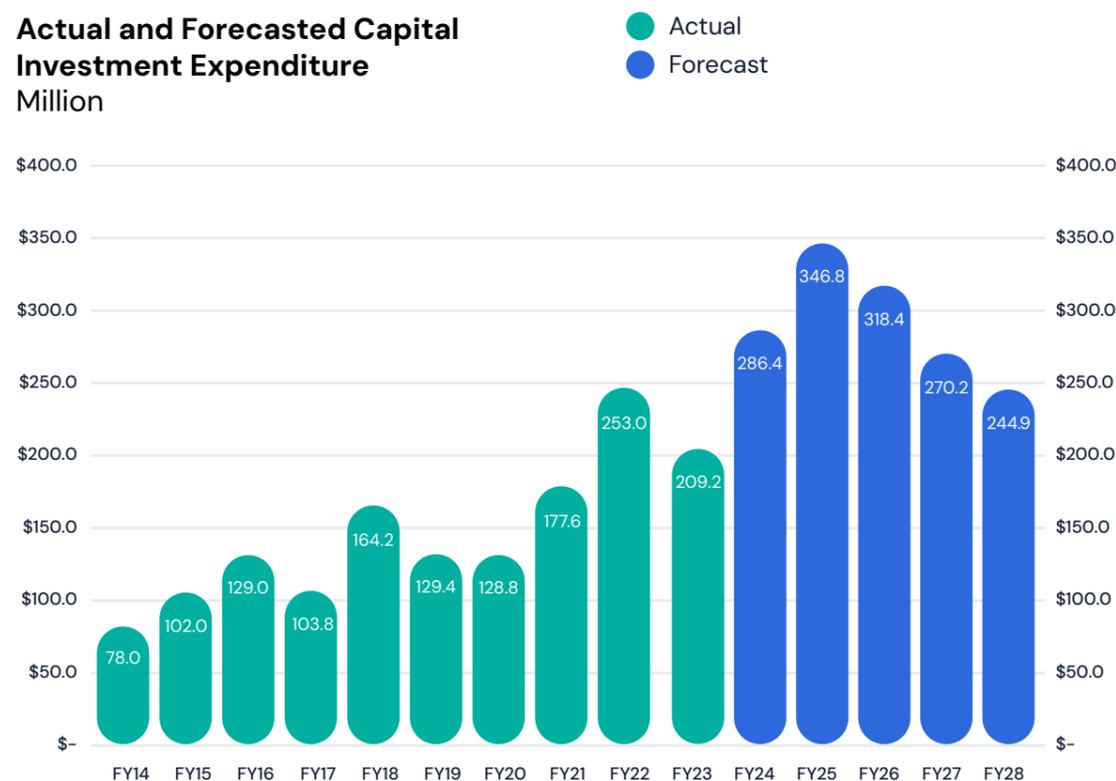


Dr Stephen Gumley AO
Chair



George Theo
CEO

Actual and Forecasted Capital Investment Expenditure Million



These figures include externally funded projects.

Year at a glance



Capital Infrastructure Highlights

2022-23 top 10 projects by spend \$000



01

Operations overview

Operations overview

TasWater provides water and sewerage services across Tasmania, safeguarding and enhancing the health and wellbeing of everyone in the State.

We source, treat and deliver water to our customers to ensure they can live their lives, trusting that when they turn the tap on, they're getting high-quality water.

We also collect, transport and treat sewage, and safely return effluent to the environment, doing our part to ensure Tasmania is protected for future generations.

Our vision 'to be trusted, respected and making a positive difference in Tasmania', recognises the important role we play in the Tasmanian community.

It demonstrates our continued commitment to supporting the social and economic prosperity of all Tasmanians. Through the responsible delivery of safe and reliable drinking water and sewerage services across Tasmania, we are working hard to make

a positive difference in our island state.

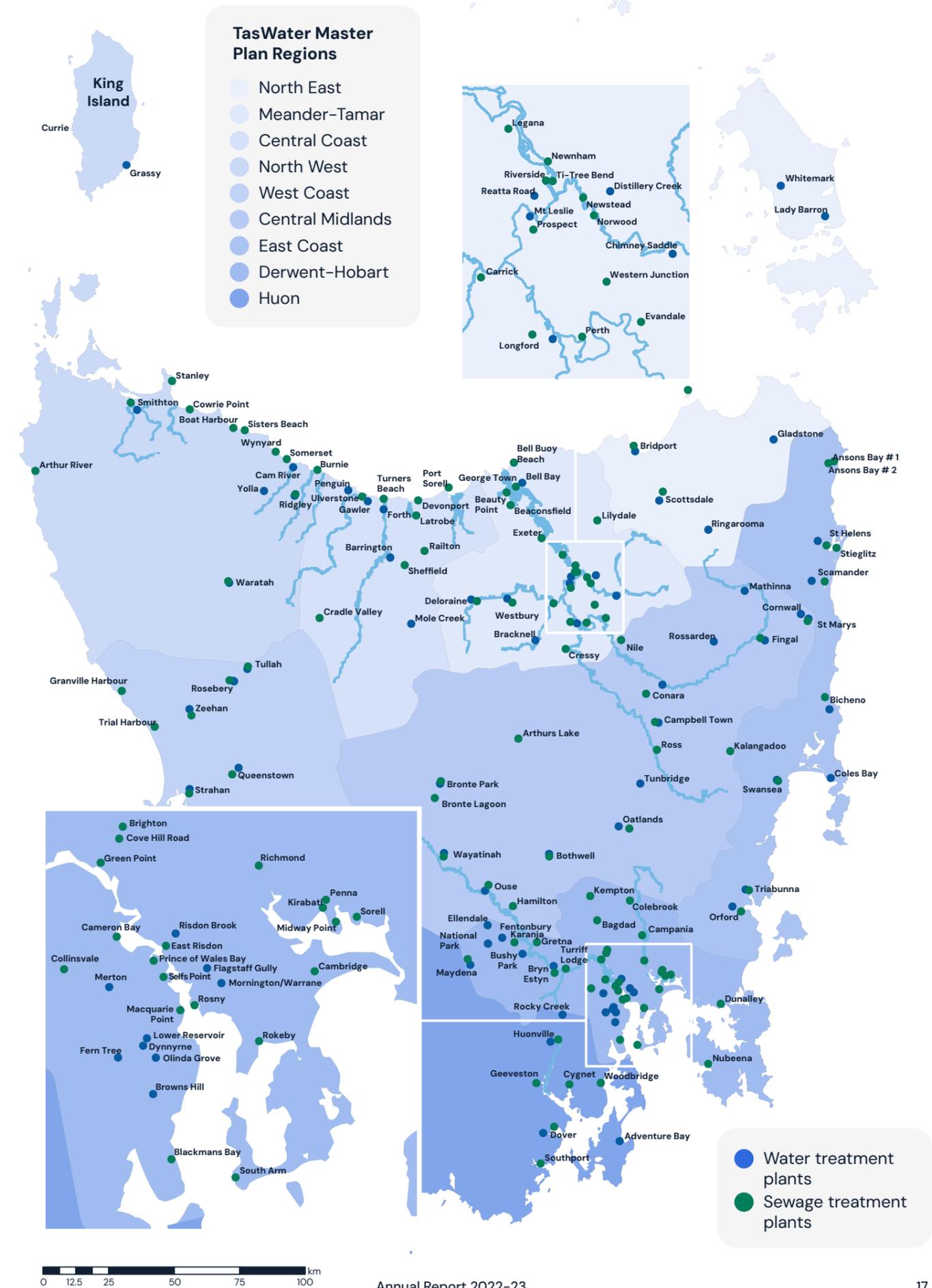
We are incorporated as a proprietary limited company under the *Corporations Act 2001* (Cth) and commenced operations as TasWater on 1 July 2013, following the merger of Ben Lomond Water, Cradle Mountain Water, Southern Water and Onstream in accordance with the *Water and Sewerage Corporation Act 2012* (Tas).

As at 30 June 2023, our workforce comprised 988 employees situated across the state. These people are passionate and skilled, and take immense pride in the role they play in delivering the most essential of essential services.

Legislative and regulatory instruments

Our operations are subject to a range of regulatory requirements.

- Water and Sewerage Industry Act 2008 (Tas)
- Environmental Management and Pollution Control Act 1994 (Tas)
- Public Health Act 1997 (Tas)
- Land Use Planning and Approvals Act 1993 (Tas)
- Water Management Act 1999
- Water and Sewerage Corporations Act 2012

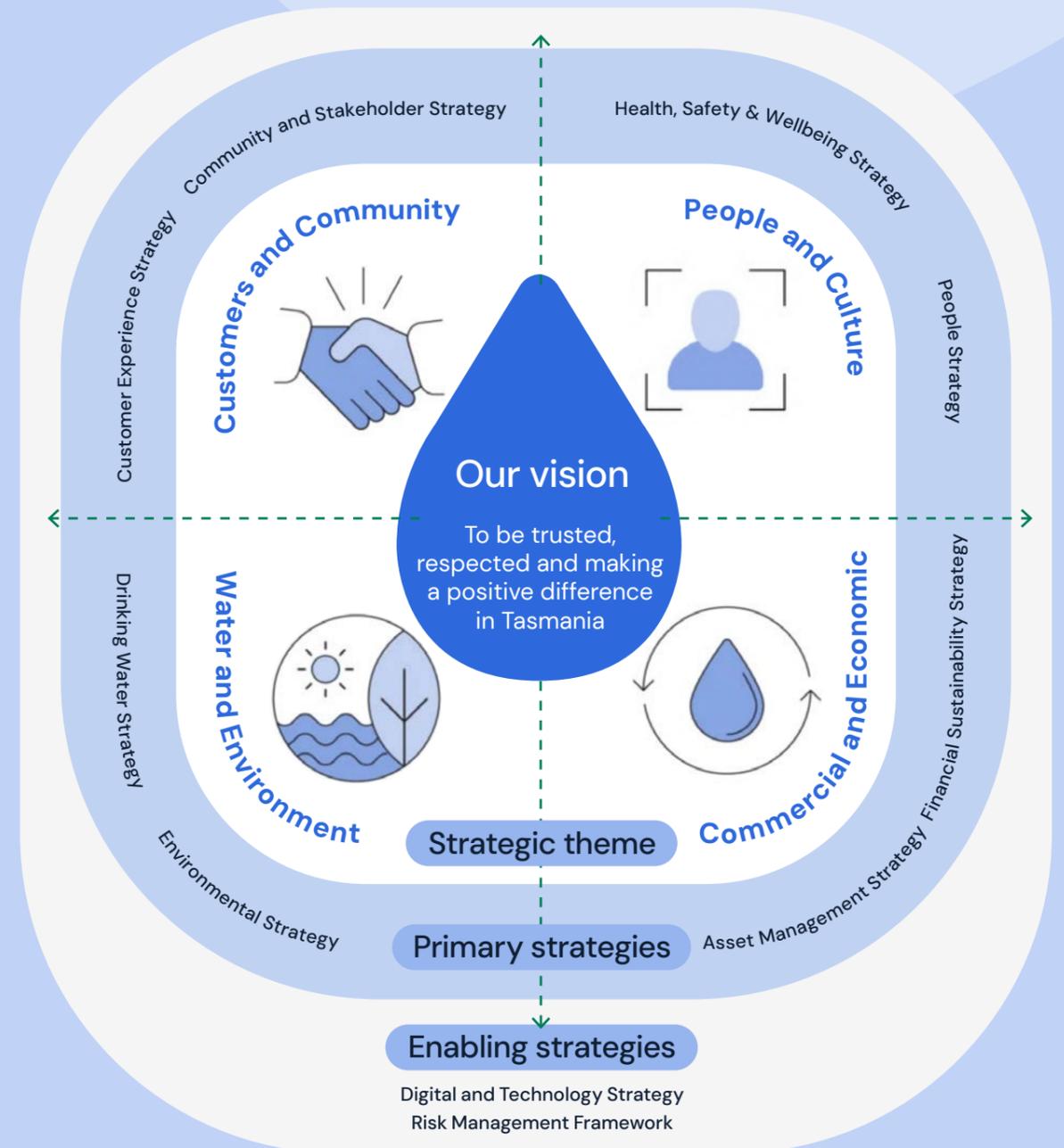


Strategy and structure

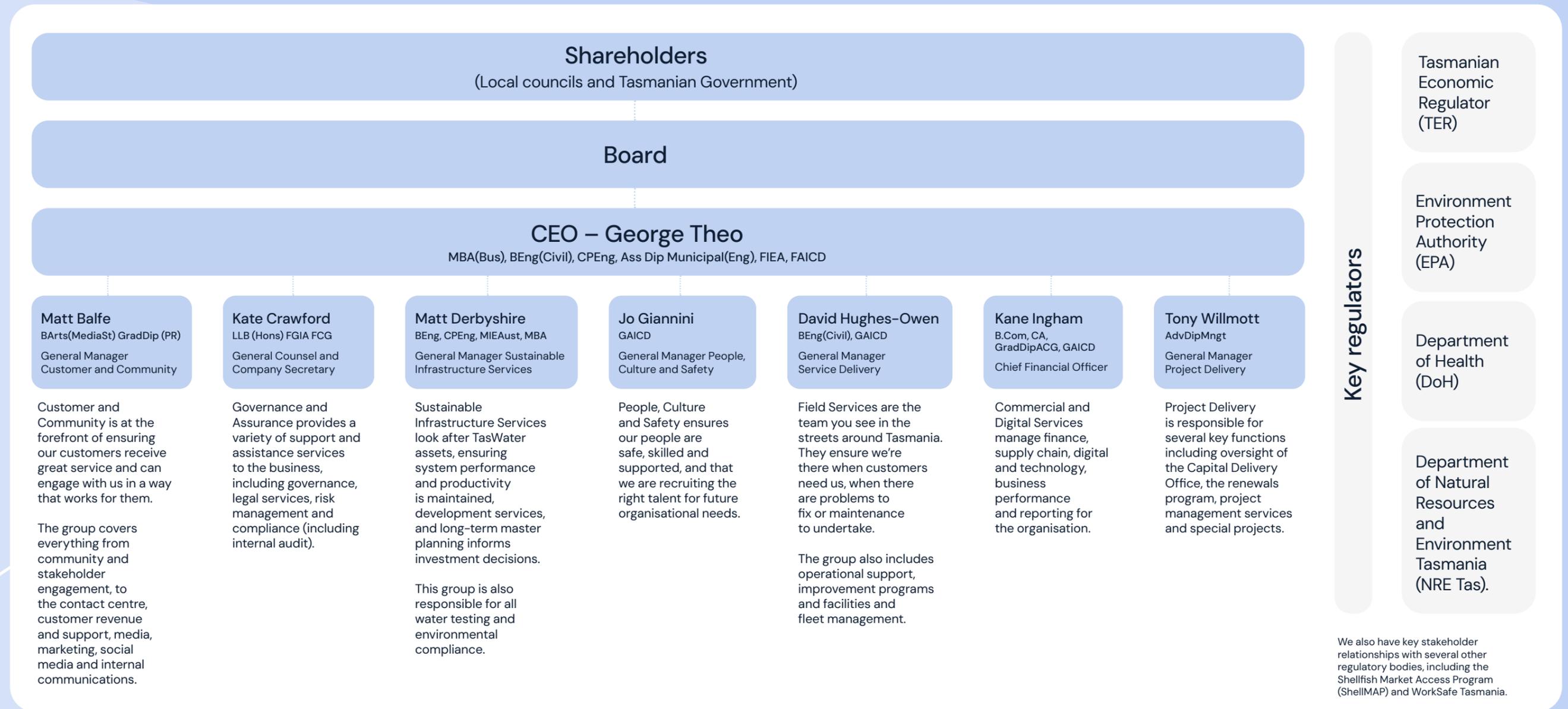
Our vision is underpinned by four key strategic themes: Customer and Community, Water and Environment, People and Culture, and Commercial and Economic.

Each theme is supported by customer promises and our outcomes that we expect to deliver, our priorities, and the primary and enabling strategies we will use to realise them.

A strategy review was initiated during the financial year and an updated strategy is planned to be finalised in the 2023-24 financial year.



Governance structure



02

Customer and Community

Image credit: Fred and Hannah

Customer and Community

We're focused on improving the essential services we provide to customers, from the performance of our assets, to interactions with our staff, and how we cater to different needs and look to innovate to provide greater value for customers.

“During the year we attended over 12,500 customer-initiated call-outs.”

We understand the value we can offer to Tasmania by involving the community in the decisions we make and giving back to Tasmania, so that we are seen as part of the fabric of our community.

Providing great service

During the year, our Customer Service Centre received 123,365 calls from businesses and individuals around the state.

Our team were able to answer 90.5 per cent within 30 seconds, well above the regulated service standard of 85 per cent.

Our customers have previously told us resolution at first point of contact is the most important factor for them. It was pleasing to see that our ongoing focus to meet customer expectations resulted in first point resolution of 94.55 per cent of customer calls against a target of 90 per cent.

Overall, customer satisfaction for interactions with our Customer Service team was 97.6 per cent, also exceeding our target of 90 per cent. This feedback was collected during the financial year, with almost 25,000 customers providing feedback through our post-call survey.

During the year we had 39,958 email interactions and 5,379 webchat conversations as part of a total 168,702 contacts via all contact methods.

During the year we attended over 12,500 customer-initiated call-outs to fix spills, bursts or leaks across the state.

Key performance indicator	2022-23 Result	2022-23 Target	2021-22 Result
Customer satisfaction with Customer Service team	97.6%	≥90%	97.9%
Calls answered within 30 seconds	90.5%	≥85%	84.5%
First point resolution	94.6%	≥90%	94.8%
Complaints per 1,000 connected properties	11.1	<9.0	11.6
Complaints processed within 10 business days	98.7%	≥90%	98.1%
Development applications processed within 14 days	99.7%	≥98%	99.5%
Building and plumbing applications processed within 14 days	99.5%	≥98%	98.3%

Note: Over 50 per cent of our complaints are related to water quality. We continue to work hard to reduce overall complaint numbers with the capital program and improved maintenance practices.

Helping customers in need

This financial year we supported more customers in financial hardship than ever before, a sign of the current economic climate and pressure on many Tasmanians in vulnerable situations. Supporting customers through our hardship program is an important component of customer care and there is a plan to promote this program more broadly in the coming financial year, with the understanding that more customers will need our support – but that asking for help is never easy.

During the financial year, a total of 149 customers completed their customer support arrangement with us, meaning they either paid their debt in full or entered a standard ongoing arrangement to maintain

their account independence. This demonstrates that early, constructive help can lead to positive outcomes for our customers.

Engaging with community

During the year we undertook community and stakeholder engagement in support of 265 capital works projects during the year, engaging with over 600 individual stakeholders.

We participated in 4,300 engagements, including face-to-face meetings, emails, written notifications, phone conversations, community meetings and council workshops.

We actively engaged with the Tasmanian community and key stakeholders to consult with and inform them about the TasWater Capital Works Program and infrastructure

upgrades that are happening in their local region.

Of these engagements, 95 per cent have related to general or significant project information, and 4 per cent have related to complaint resolution due to issues that occurred during the planning or delivery of a project.

The engagement team used various communication channels to engage with the community and have worked closely with the TasWater communications team to keep people informed and promote the benefits of the Capital Works Program.

Internal collaboration has ensured greater sharing of relevant project information and raised the profile of the Capital Works Program with local councils, with TasWater presenting at 36 council workshops over the past financial year.

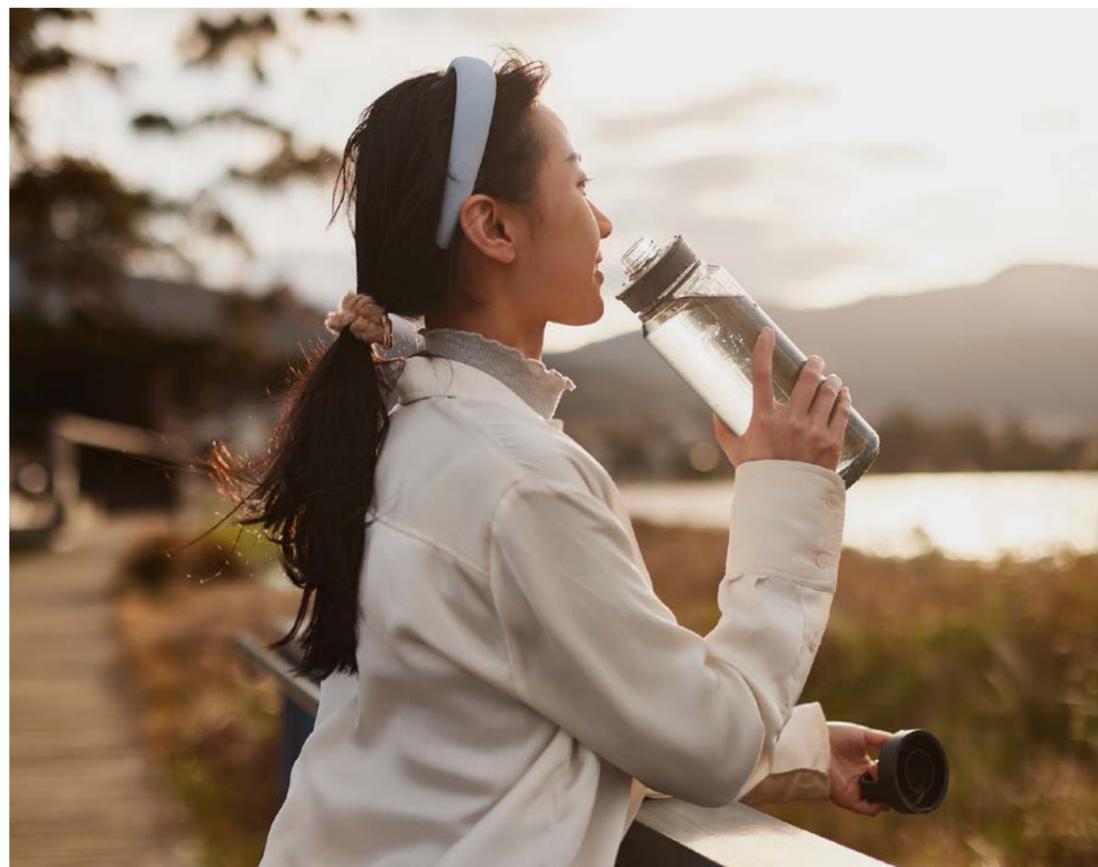
An engagement campaign commenced in 2022–23 in Launceston for the Tamar Estuary River Health Action Plan (TERHAP) projects. The campaign will continue until 2025 and will not only inform residents and businesses in Launceston of possible disruptions they may experience during the significant infrastructure upgrades, but will also tell the story of the importance of the project and the positive outcomes our work will have

for the environment and the people of Launceston for generations to come.

The team has also played a significant role in the delivery of the District Metered Area (DMA) project, which is targeting water loss within our network. This statewide project required significant engagement in regional towns that have experienced a service interruption or low water pressure.

Customer experience focus

In January 2023, TasWater began development of a Customer Experience Improvement Program (CX Program), which is aimed at meeting our customers' needs with the ambition to be Tasmania's customer experience leader.



The CX Program comprises four streams of work: maturity assessment, CX framework, customer insights, and voice of customer.

In February 2023, we completed the Water Services Association of Australia (WSAA) maturity assessment against eight functions: customer understanding, strategic direction, leadership and culture, data, analytics and technology, CX design and improvement, and measurement and reporting.

A four-year improvement roadmap has been developed to uplift TasWater's capability to a steady state where capability is practised consistently and to a high degree of proficiency to deliver better outcomes for our customers.

A customer research project commenced in May 2023 which will deliver customer personas and insights that highlight the needs, pains, gains, values and behavioural drivers of residential and business customers.

We're confident this approach will put the customer at the heart of everything we do and ensure great service and experiences when people choose to engage with us.

Change in Price and Service Plan this financial year

The start of our Price and Service Plan 4 (PSP4) this financial year gave us an opportunity to address the seven separate regulated prices for different types of connections works we had in place, including disconnections, relocations, meter-only installations and a larger size (25mm) water connection.

We simplified the connection process for PSP4, moving from a rates model to a price on application approach. This change in approach has removed an unintended ongoing subsidy of more than \$2 million per annum under PSP3, which had been subsidised previously by TasWater and its broader customer base.

Looking ahead to Price and Service Plan 5

The PSP4 covers the period 1 July 2022 to 30 June 2026, and while we have only completed one of the four PSP4 years, our attention now turns to preparing our Price and Service Plan 5 (PSP5).

PSP5 will commence on 1 July 2026 and will govern water and sewerage pricing and services in Tasmania for the next period.

Given the strategic importance of PSP5 in determining revenue, capital expenditure and service levels to be delivered to Tasmanian customers, considerable effort is required to inform our submission to the Tasmanian Economic Regulator (TER).

At the heart of this will be a deep engagement with the Tasmanian community and key stakeholders on service expectations and pricing.

Preparation for PSP5 has now commenced, with a number of activities being undertaken to date including the completion of a high-level timeline, the establishment of internal governance arrangements and the determination of internal resourcing requirements.

The Tasmanian Economic Regulator is working with TasWater on a number of inquiries whose recommendations will be included in PSP5.

Throughout the development of PSP5, we will continue to seek input from our customers and key stakeholders.

Hobart's water in safe hands

The Bryn Estyn Water Treatment Plant (WTP) is Greater Hobart's primary source of drinking water, providing an average 60 per cent of the water supply needs annually. It was originally constructed in 1962, with capacity augmentations completed in 1972 and 1992.

Over the last two years, we completed upgrades and expansion of the plant to ensure it can continue to provide high-quality drinking water and meet projected demand in Greater Hobart for years to come.

The upgrade and expansion will:

- Lower the risk of water restrictions in the greater Hobart region
- Improve operational efficiency by increasing capacity and modernising infrastructure
- Enable the reliable supply of 160 million litres of water per day
- In-build the capacity to expand the water supply for demand in the future
- Provide high-quality drinking water for Tasmanians.

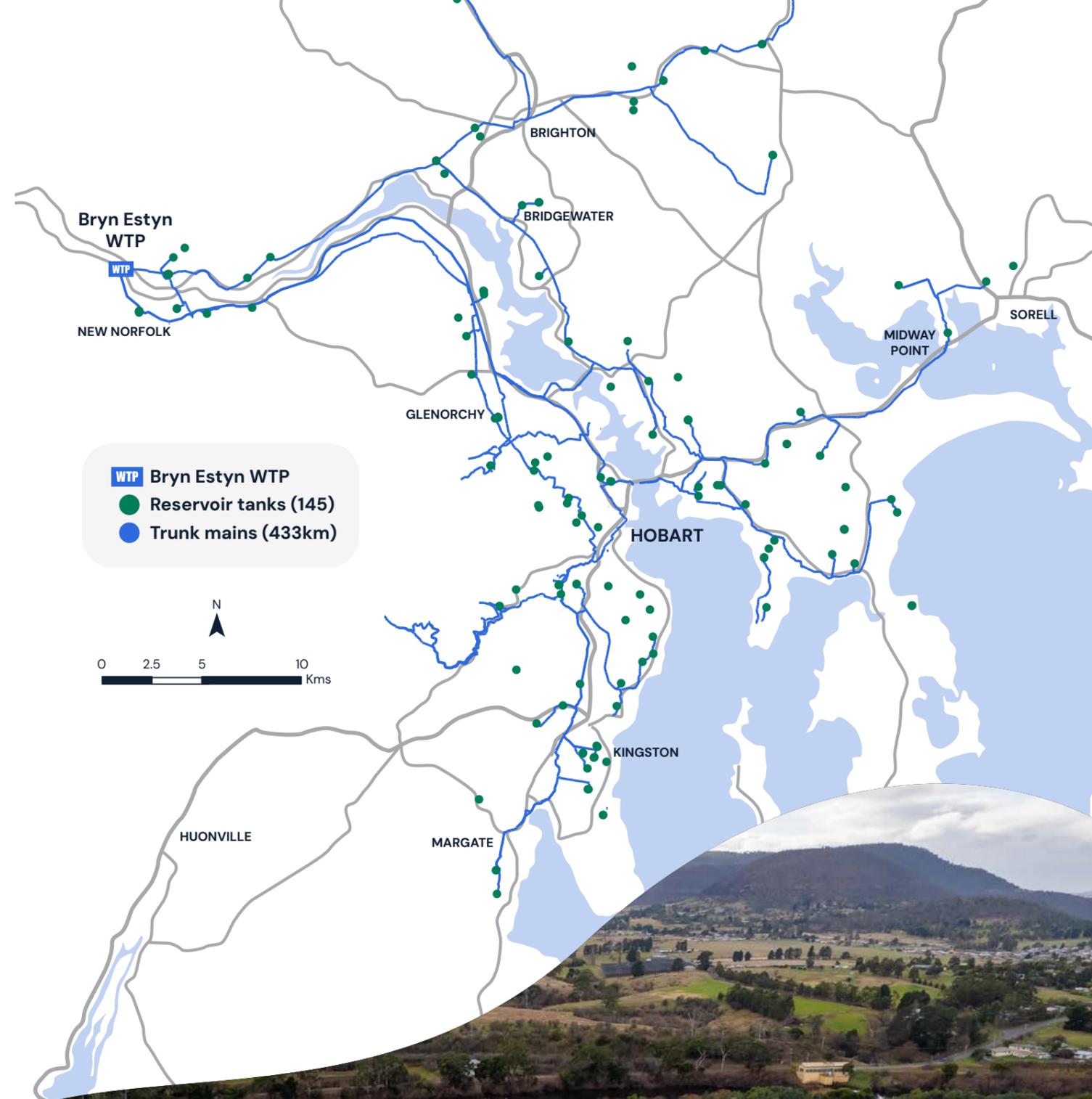
The project will be officially opened in September 2023.

Bryn Estyn supplies water to seven local government areas including:

- Hobart
- Glenorchy
- Kingborough
- Brighton
- Derwent Valley
- Southern Midlands
- Sorell
- Clarence

Fast Facts:

- The total project budget was \$243.9 million
- The upgrade has significantly improved our ability to treat an increased volume of water, boosting production by about 40 per cent daily
- The project was delivered on time and under budget
- The project employed around 1,500 people directly, and 500 indirectly
- At its peak in December 2022, around 150 people were working on the construction site
- Approximately 81 per cent of contracted work at Bryn Estyn was awarded to Tasmanian-based companies



03

People and Culture



People and Culture

We are committed to helping our people achieve their full potential through meaningful work, physical and psychological safety, personal growth, autonomy and purpose.

A culture that positions us for growth

Over the past year, TasWater has embarked on a cultural transformation to position us as a dynamic and forward-thinking organisation.

Fostering a growth mindset is essential for driving innovation and overcoming challenges. Through our People Strategy we have identified targeted training programs, leadership development initiatives, and organisation-wide initiatives such as Our Next Big Step to encourage our employees to embrace a mindset of continuous learning and improvement. This shift in thinking will empower our teams to embrace change, innovate and explore new opportunities.

Building a united TasWater is a key focus of our transformation efforts. Through the Future Ready organisational realignment project, we were able to remove silos and duplication of effort, create opportunities for cross-functional projects, open communication channels and strengthen collaboration across business groups.

Our vision for diversity and inclusion at TasWater is that we celebrate diversity and commit to fostering an inclusive work environment where everyone is valued, respected, and engaged. We are striving to eliminate all forms of discrimination and to reflect the diverse communities we serve. We believe a diverse and representative workforce enhances decision-making and delivers better outcomes for our customers and community.

Key performance indicator	22-23 Result	22-23 Target	21-22 Result
Lost-time injury frequency rate (LTIFR)	5.7	≤2.4	2.7
Total recordable injury frequency rate (TRIFR)	10.7	<5.5	11.6
Leadership walks undertaken	2,178	≥1500	2,270
FTEs as at 30 June 2023	964	975	942
Employees with leave in excess of 40 days	168	≤120	159

Note: We continue to work with our people to reduce injuries. While the majority of injuries are related to slips, trips and falls, high risk activities continue to be performed safely.

Supporting families

During the year, we developed our new Parental Leave Policy, a progressive policy that supports our people and helps ensure we can attract great talent. This came into effect on 1 July 2023.

The new policy encourages our people to embrace the joys and responsibilities of early parenthood without feeling that they need to choose between career or spending time together as a new family.

The policy recognises that no two families are the same, doing away with the idea of a primary and secondary carer and removing the need for 12 months of permanent service to qualify.

We've increased the paid leave allowance from 12 to 18 weeks and added paid pre-parental leave to attend appointments relating to pregnancy, surrogacy, IVF or adoption.

For those making a staged return to work, we will pay full superannuation contributions for up to two years.

Scholarship program

In its 23rd year, the Steve Balcombe Scholarship provides financial assistance and on-the-job learning opportunities to a student studying in an area relevant to the water industry, such as engineering, environmental science or earth sciences. Recipients receive an annual stipend to assist with their education expenses and are offered the opportunity to work with TasWater during university holidays.

In 2024 TasWater will offer two additional scholarships, targeted at talented women and Aboriginal or Torres Strait Islander students studying STEM-related disciplines.

We believe that by collectively prioritising the needs of working parents, we can contribute to the overall wellbeing and happiness of families in Tasmania and attract talent to Tasmania.

A plan for reconciliation

A reconciliation working group was established to guide development, implementation and delivery of TasWater's first-ever Reflect Reconciliation Action Plan (RAP), due to launch in October 2023.

We acknowledge that we are at the very beginning of our journey and are proud of the small steps we have taken.

We've begun implementing Acknowledgment of Country

protocols to acknowledge and honour the Traditional Custodians of the land and waterways and their ongoing connection to Country.

To honour local culture, our boardroom in Launceston was renamed the "kanamaluka" room during the year, embracing the traditional name of the Tamar River.

Renaming of the room was done in consultation with the Tasmanian Aboriginal Centre (TAC), following protocols set out by the TAC. In this room,

we proudly display a locally crafted palawa shell necklace made by local Aboriginal artist Lola Greeno as a symbolic representation of our connection to the waterways and land on which we operate.

Implementing our RAP will provide a roadmap that will guide our organisation to integrate reconciliation activity into our day-to-day practices, policies, and decision-making.

Investing in skills for the future

The TasWater Graduate Program provides a fast-tracked career pathway into the water industry. The two-year program offers industry-specific training, professional development and networking opportunities, and the opportunity to consolidate theory into practice. In its third year, the Graduate Program is a strategic investment for TasWater, bringing new perspectives, skills and innovation to the organisation, promoting diversity and contributing to local workforce development.

There were 11 Graduates that commenced working in the organisation this financial year, our largest cohort to date.

Mohammad Hamedy joined TasWater as part of the 2021-2022 Summer Placement Program, and worked in the Data and Analytics team. Following the 12-week program, Mohammad continued working with us casually while completing his university studies. On completing his degree, Mohammad secured a position in the 2023 Graduate Program, joining 10 other graduates who commenced in 2023, our largest cohort to date.

“My time in TasWater was invaluable. The support and mentorship I received in the Data and Analytics team was exceptional. This experience not only complemented my studies but also paved the way for my career.”

– Mohammad Hamedy



Safe, thriving and well

In 2022-23 we embarked on a multi-year transformational program to revolutionise the way we approach health and safety, fostering a culture of wellbeing and ensuring the protection of our most valuable asset – our people.

Through the following initiatives we have witnessed improvements in employee engagement and safety outcomes. These activities include:

- Increasing the capability and availability of OH&S specialists within TasWater
- Overhauling OH&S consultation mechanisms to align with legislative requirements and support the transformation strategy
- Revising incident and hazard management processes to enable improved investigations and response times, and improved oversight and visibility of risk
- Integrating project management tools and methodology into ways of working, driving risk-based prioritisation and execution of OH&S risk improvement projects
- Harnessing available data to provide improved metrics and risk information for decision-makers.

During the year, we implemented a number of programs aimed at reducing exposure to critical risks for our people. These included:

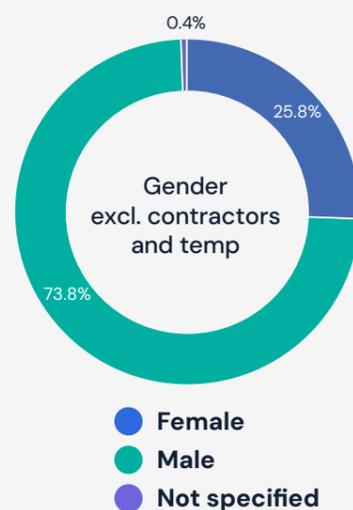
- An initiative to reduce the potentially fatal risk to workers associated with exposure to stray electrical currents
- A high-pressure jetting improvement program that standardised process and reduced risk
- An occupational hygiene improvement project enabling our people to use power tools when cutting pipes with asbestos-containing material, greatly reducing musculoskeletal injury risk and operational costs, while maintaining a safe working environment
- An assurance and inspection program, supporting increased visibility of OH&S legislative compliance and risk control effectiveness.

TasWater's OH&S transformation program will be implemented over several years and positions us well to ensure we continue to provide a safe workplace for our people, and we remain focused on improving our overall health and safety performance.

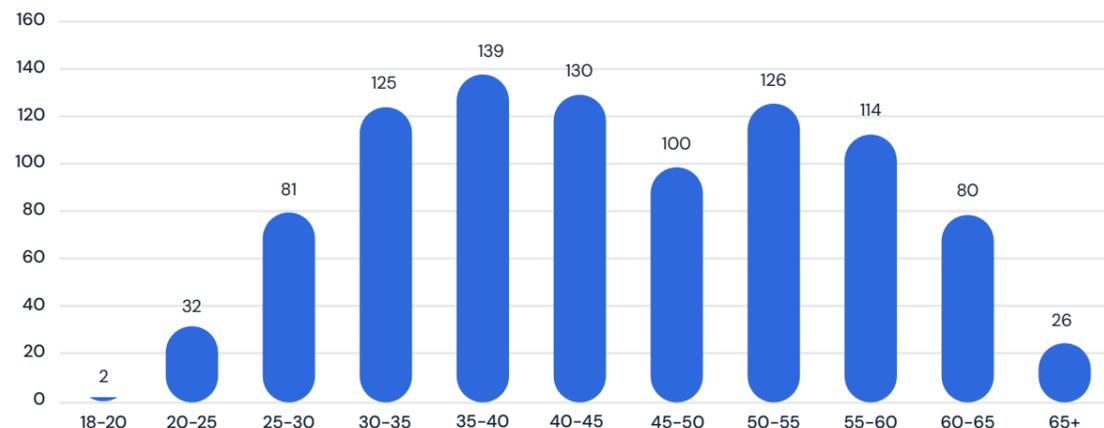
Enhanced safety capacity, capability and business support

Over the past year, we have implemented a centralised health, safety, and wellbeing (HSW) management structure focused on strategic risk-control outcomes. This has improved HSW support across the organisation, enhanced capabilities within and outside of the HSW team, and enabled us to implement proactive HSW risk-control improvements statewide. Additionally, considerable progress has been made in developing the supporting systems and infrastructure necessary for sustainable, long-term HSW success.

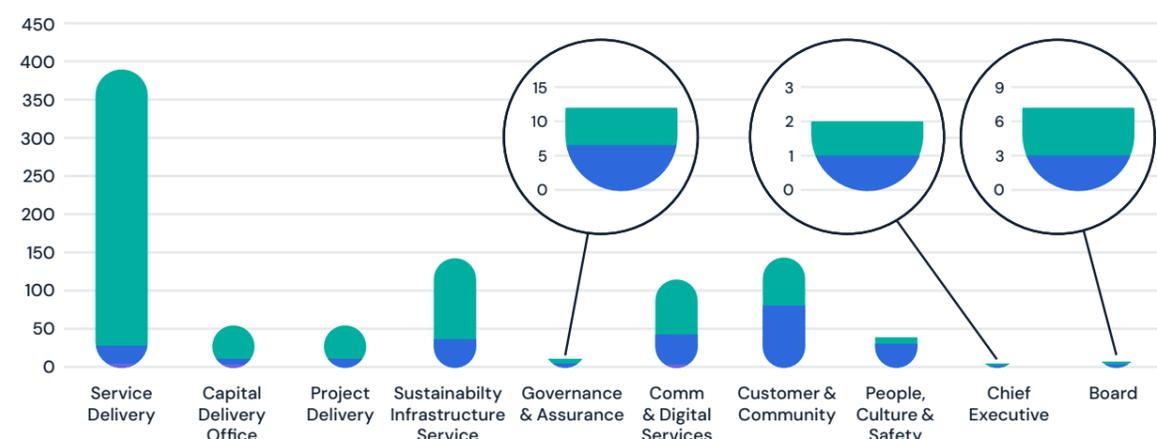
Reliable data and information are critical to the effective management of health, safety and wellbeing.



TasWater employee age demographics excl. contractors and temp



TasWater employee gender by area excl. contractors and temp



During the year we condensed several conflicting HSW performance data sources into a single, validated source of truth. While there are future technological solutions planned to support improved accessibility to data and information across the business, significant improvements have been made in reporting capabilities to support/drive leaders to make informed, evidence-based decisions.

New alcohol and other drug (AOD) random testing program introduced

The purpose of the AOD program is risk control. The program provides a consequence for at-risk behaviour and therefore acts as a deterrent.

During the year a new program for AOD testing was rolled out, which has increased its reach, improved fairness with regards to the random-testing selection process, and reduced the productivity losses associated with testing.

This program is focused on ensuring our people receive support when they need it.

04

Water and Environment

Image credit - Moon Cheese Studio

Water and Environment

We're committed to improving our services through sustainable asset management which is more than just minimising environmental harm. This is about doing things differently to regenerate and improve Tasmania's precious environment for future generations.

Big environmental ambitions

During the year, we set our sights on some aspirations to be achieved over the next three decades. By 2050, we aspire to:

- net zero carbon
- zero nutrients into waterways
- 100 per cent recycled water
- increasing the amount of renewable energy we produce to at least 30 per cent of energy usage.

Like all water suppliers in Australia, TasWater is vulnerable to the impacts of climate change on water resources. We are committed to playing our part and contributing to global and national efforts to limit climate change by keeping the global temperature rise this century well below 2 degrees Celsius, and preferably to 1.5 degrees Celsius.

Over the coming year, we will develop our plan to reduce our Scope 1 and 2 greenhouse gas emissions, in line with the Water Services Association of Australia's climate change position. Our focus will be on:

- decarbonising our operations (e.g. electrification)
- improving energy efficiency
- increasing our renewable energy production
- reducing emissions from our sewage treatment plants
- quantifying indirect emissions from our value chains over the next five years (Scope 3 emissions).

We are committed to working with our customers and communities to balance the costs of achieving 2050 targets with affordability for customers and the impact of emissions on future generations.

Key performance indicator	Result 2022-23	Target 2022-23	Result 2021-22
Percentage of customers with access to safe drinking water	100%	100%	100%
Percentage of compliant fluoride systems	100%	>92%	95%
Compliant volume of treated sewage	89.8%	>89%	89%
Number of dams above the Limit of Tolerability	2	0	2
Reducing non-revenue water (%)	28.1%	<23%	29.2%

Note: Non-revenue water is made up of unbilled authorised consumption (firefighting), meter inaccuracies and unauthorised consumption (theft), and real losses (leaks from water infrastructure). We continue to work hard across all three areas highlighted by the establishment of 68 district metered areas which will increase to approximately 227 by June 2024. While there are 2 dams above LOT we have implemented operational changes to reduce any risk of failure.

Maintaining assets for better environmental outcomes

Our continuous improvement initiative is aimed at optimising the way we care for and maintain our assets, which in turn aids in maximising the efficiency and performance of our installed infrastructure.

Maintenance programs for odour control units, that are an integral part of our sewer treatment plant (STP) and pump stations operations, were improved to ensure that nuisance odours are reduced as far as practicable.

It is anticipated that optimisation of the sewer pump station maintenance strategies will continue over the coming year, with the intent to share these improvements across the statewide network.

These improvements are aimed at directly reducing the environmental impacts that can occur when our systems are no longer capable of operating to the designed level of performance.

Maximising compliance

STP operational control points (OCPs) are the points in the process where control is used to minimise effluent compliance breaches, deterioration of the effluent quality and other performance issues. Applying a continuous improvement approach, this year we updated and rolled out standardised control points at all of our level 2 STPs. This helped ensure that the treatment process is functioning optimally, improving effluent quality and environmental outcomes.

Getting stormwater out of sewer

Data-driven analysis is being used to determine the highest priority areas for inflow and infiltration (I&I) investigation and remediation considering frequency, environmental impact, customer impact, operational impact, and growth and capacity considerations. This program is focused on removing stormwater from sewer infrastructure, which will drive down the number of sewage spills occurring during wet weather.

Various methods for identification of stormwater

inflows are being adopted. These include vapour and dye testing, flow monitoring, CCTV, physical inspection, and statistical analysis, as well as other new and emerging technologies.

We are putting the customer and the community at the forefront of the process. This has included mapping out the engagement journey to identify areas where we can work alongside councils and with our customers. We will be working closely with councils to coordinate our efforts and work together to deliver a positive outcome for the community.

100 per cent microbiological compliance

During 2022-23 we achieved full microbiological compliance with the Tasmanian Drinking Water Quality Guidelines for the fifth year in a row. This means that all of our customers had access to safe drinking water throughout the year. We have installed ultraviolet (UV) systems at nine of our sites, improving our treatment processes, and a focus on fluoride monitoring and awareness has resulted in all fluoride dosing stations being 100 per cent within health targets.

Non-revenue water

In the past year, TasWater has accelerated efforts to reduce the amount of water lost through leaks across our network. A two-year, \$4 million investment program to install 227 district metered areas (DMAs) began.

During the year, we established 68 DMAs and are committed to rolling out all areas by the end of the coming financial year.

Initial findings from DMAs show that we are starting to make inroads into reducing

the 30 per cent of water currently unaccounted for in our network. This initiative has already delivered water savings of more than 1.1 billion litres.

We also implemented leak-detection software that records and compares water usage patterns and identifies changes to these patterns that may indicate the presence of a leak in a water main. This will further enhance TasWater's capability in identifying, locating and repairing leaks that do not come to surface. We've already identified and rectified a number of large

leaks across the state, saving large volumes of water.

Through joining with industry partners, we have also commenced a program to conduct a full survey of our network to find existing leaks so that we can find and eliminate these sources of water loss.

This initiative will help ensure we minimise taking water out of rivers, reduce customer interruptions, and avoid expenditure to treat and pump water that would have been lost in the network.

Master plans

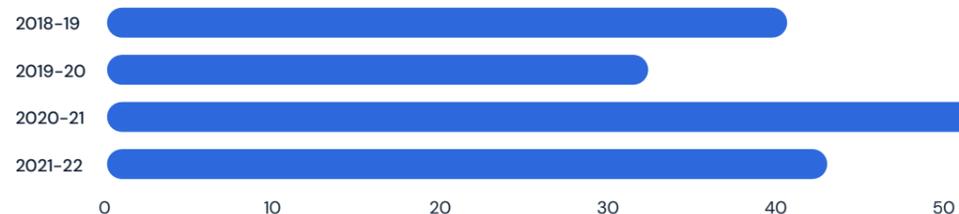
Detailed regional master planning is under way for all water and sewerage systems across Tasmania. To support short-term decision-making and guide the detailed master planning, we have developed Regional Direction papers to provide an overview of the current systems capacity and condition, issues under investigation, expected future demand, major risks specific to the region, list current projects and identify future opportunities.

They present a first-pass assessment of the future strategy for the region, including potential service extensions, rationalisations and improvements. Additionally, customer growth, changing customer and regulator expectations, and climate change are considered.

We are working closely with Local Government and other regional bodies to ensure these plans align with regional initiatives and plans for growth.

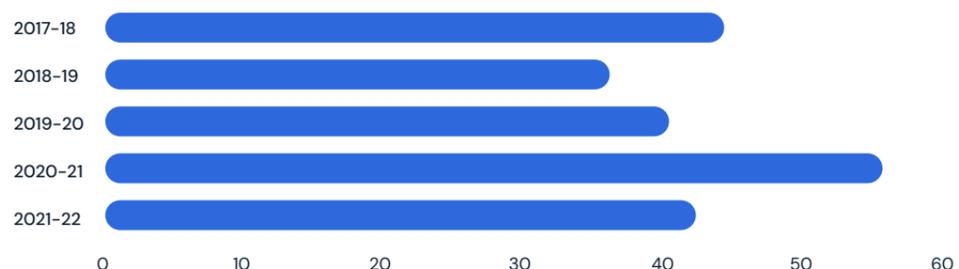
Water main breaks, bursts, and leaks

Number per 100km of water mains



Sewer mains breaks and chokes

Number per 100 km of sewer main



Investing in the future of kanamaluka

The kanamaluka/Tamar Estuary is a special landscape that connects our community. We appreciate its importance to Launceston and the wider community, and we are making investments to ensure its health for future generations.

The Tamar Estuary River Health Action Plan (TERHAP, or the Plan) is an initiative of the Tamar Estuary Management Taskforce (TEMT) and the Launceston City Deal, to improve the health of kanamaluka/Tamar Estuary.

A total of \$129.2 million is being invested by the Australian Government, Tasmanian Government, TasWater and City of Launceston under the Launceston City Deal to implement the key actions in the Plan.

As part of the TERHAP, this year we began the delivery of new sewerage infrastructure to improve the health of kanamaluka/Tamar estuary and the environment that surrounds it. Progress made this year included:

Esplanade/St John Street pipeline upgrade – in November 2022 we completed construction of our new pipeline section and new connections.

Margaret Street Diversion Project – During June 2023, the chamber was connected to our existing sewer system and will help divert sewage and stormwater flows away from kanamaluka/Tamar estuary. The diversion chamber will improve the

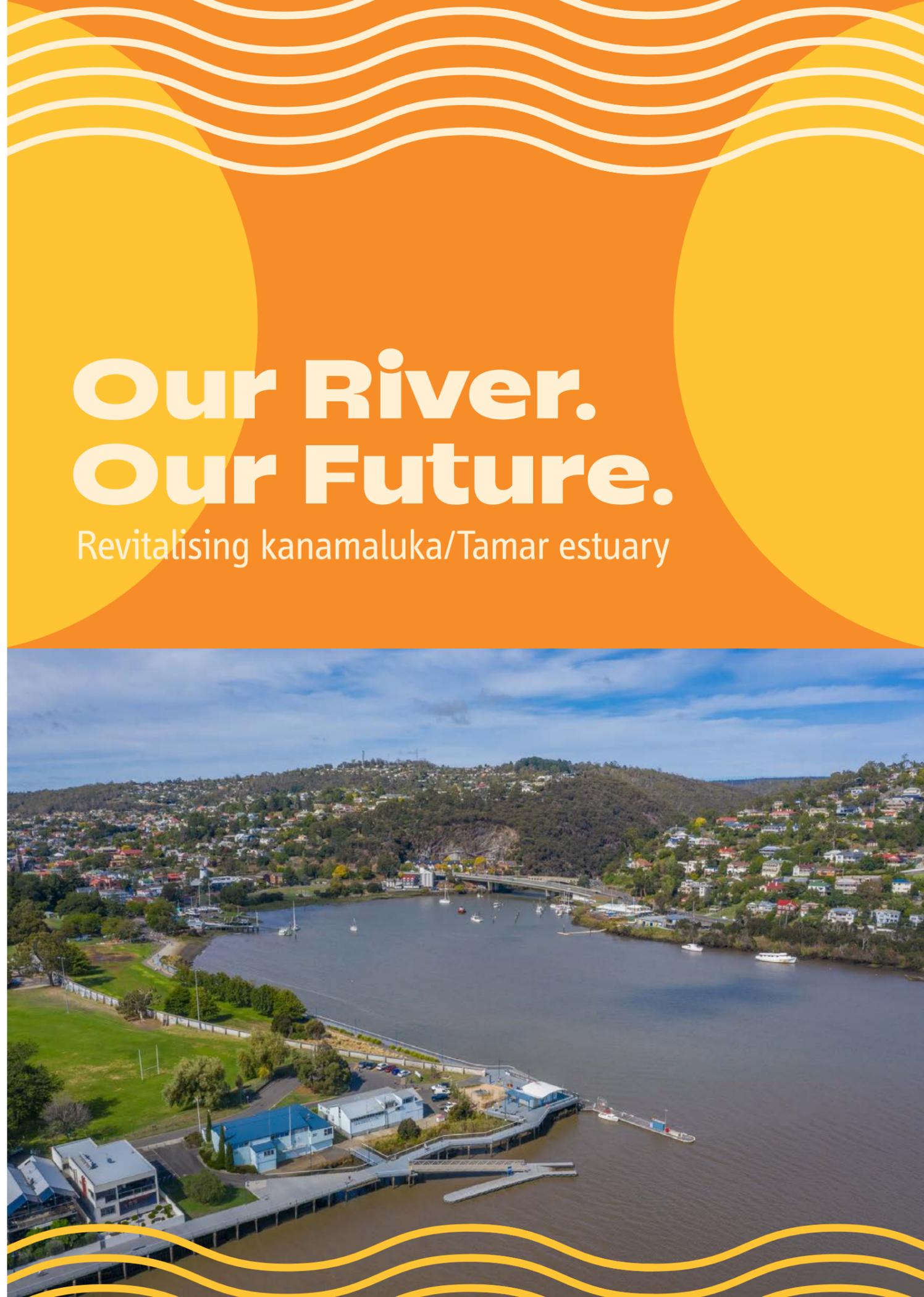
way we manage the flow of sewage and stormwater to the Margaret Street Pump Station and onto the Ti Tree Bend Sewage Treatment Plant. This project is due for completion in the first half of 2023–24.

New Pipeline Project – during May 2023 we completed on-water and land-based geotechnical investigations. These activities will help inform final designs for a new pipeline between the Margaret Street Pump Station and the Ti Tree Bend Sewage Treatment Plant. Later in 2023, we will begin building the new pipeline, which will improve our capacity to transfer sewage and stormwater and reduce the frequency and volume of overflow events.



Our River. Our Future.

Revitalising kanamaluka/Tamar estuary



05

Commercial and Economic

Commercial and Economic

Water is essential to life, so we must make sure water is reliable, affordable, accessible and available at the right quality, for the right purpose and for the long term.

Ensuring our sewerage is returned to the environment in a sustainable and safe manner remains pivotal for our capital program, as we continue to focus on the performance of our treatment plants over the next ten years of investment.

We must strike the right balance between providing services at a price that is affordable and sustainable for the long term.

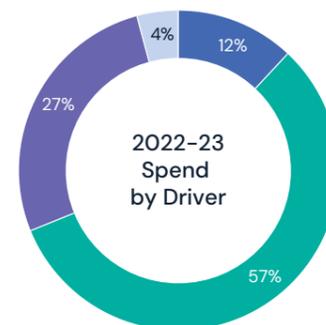
Capital expenditure

TasWater’s capital expenditure program is a vital part in ensuring our water and sewerage assets are fit for purpose for years to come.

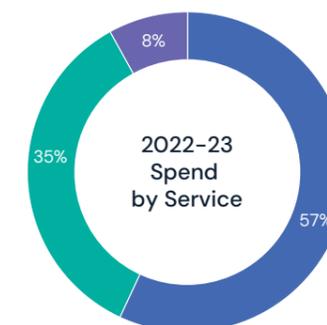
Our projects are categorised by whether the main driver is compliance, growth, renewal

or improvement. Compliance works are to ensure our infrastructure enables us to comply with drinking water and environmental regulations. Growth allows for expansion in the water and sewerage networks to service new homes and businesses. Renewal occurs where existing infrastructure has reached the end of its useful life, or where the asset no longer performs as required. And improvements allow for increased levels of customer service or productivity.

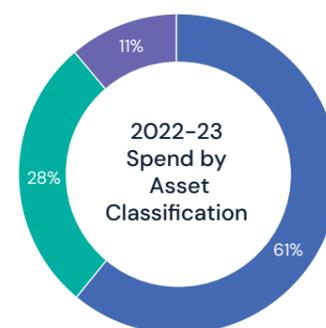
Our major project during the year was the Bryn Estyn Water Treatment Plant. With this work falling under compliance, that category comprised a large component of our spend for 2022-23.



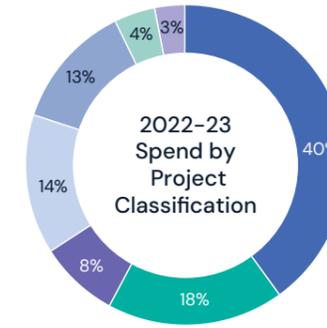
- Improvement
- Compliance
- Renewal
- Growth



- Water
- Sewer
- Other



- Treatment
- Network
- Other



- Water treatment
- Sewage treatment
- Other
- Collection sewer
- Distribution
- Catchment/storage
- Disposal/reuse

Major projects

In 2022–23 we delivered a capital program of \$209.2 million.

Major achievements from the Capital Works Program in 2022–23 include:

1 Completion of the strengthening of Mikany and Henderson Dams

2 Commenced construction of the Ulverstone STP upgrade project

3 Achieved significant planning, design and construction of TERHAP, with the project on track to be completed by 2025

4 Commenced delivery of the Bicheno, Dover and Cygnet STP outfall renewal and extension projects

5 Completed the majority of the Bryn Estyn WTP (practical completion was granted on 14 July 2023)

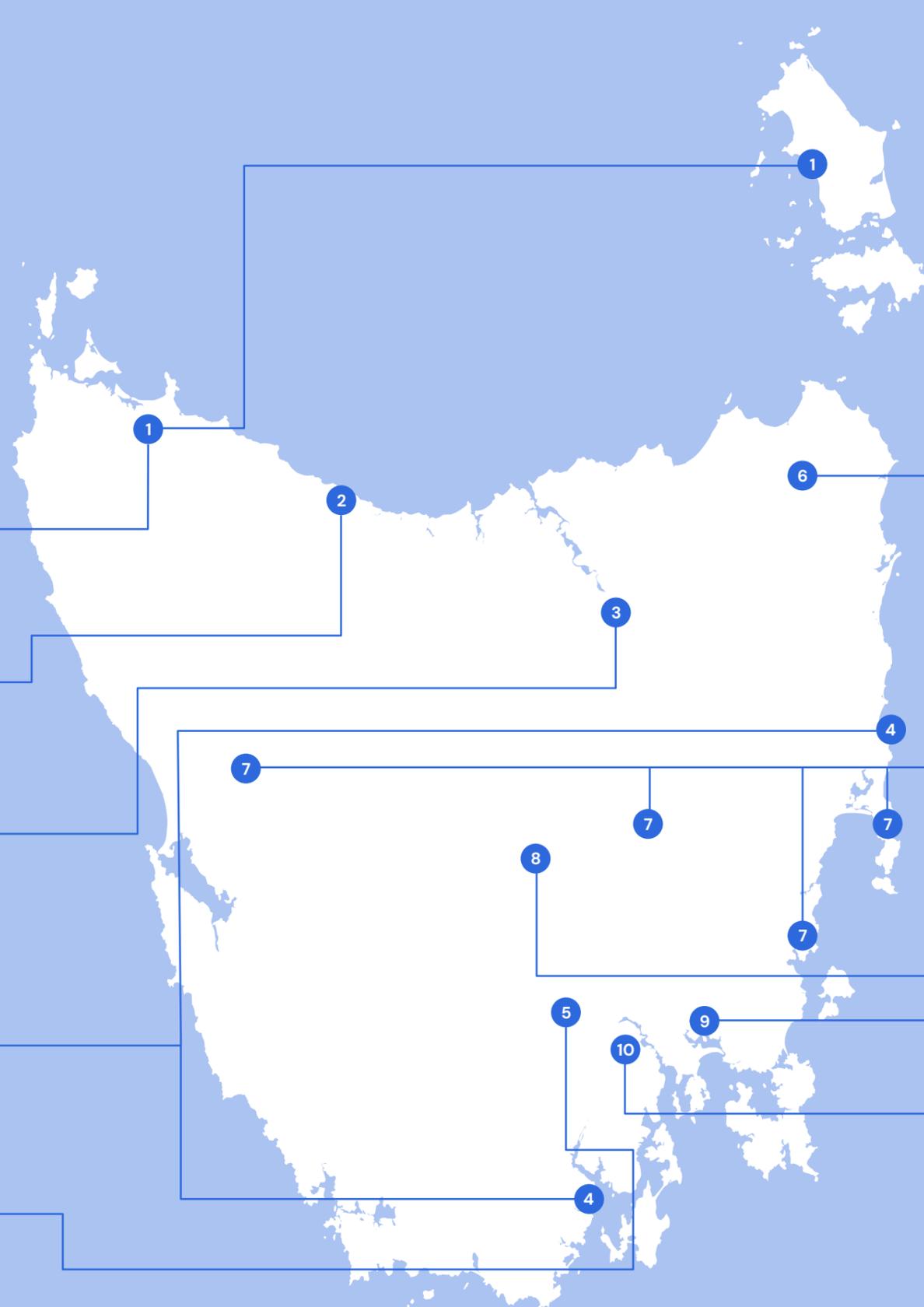
6 Completed the Pioneer Water Supply Project

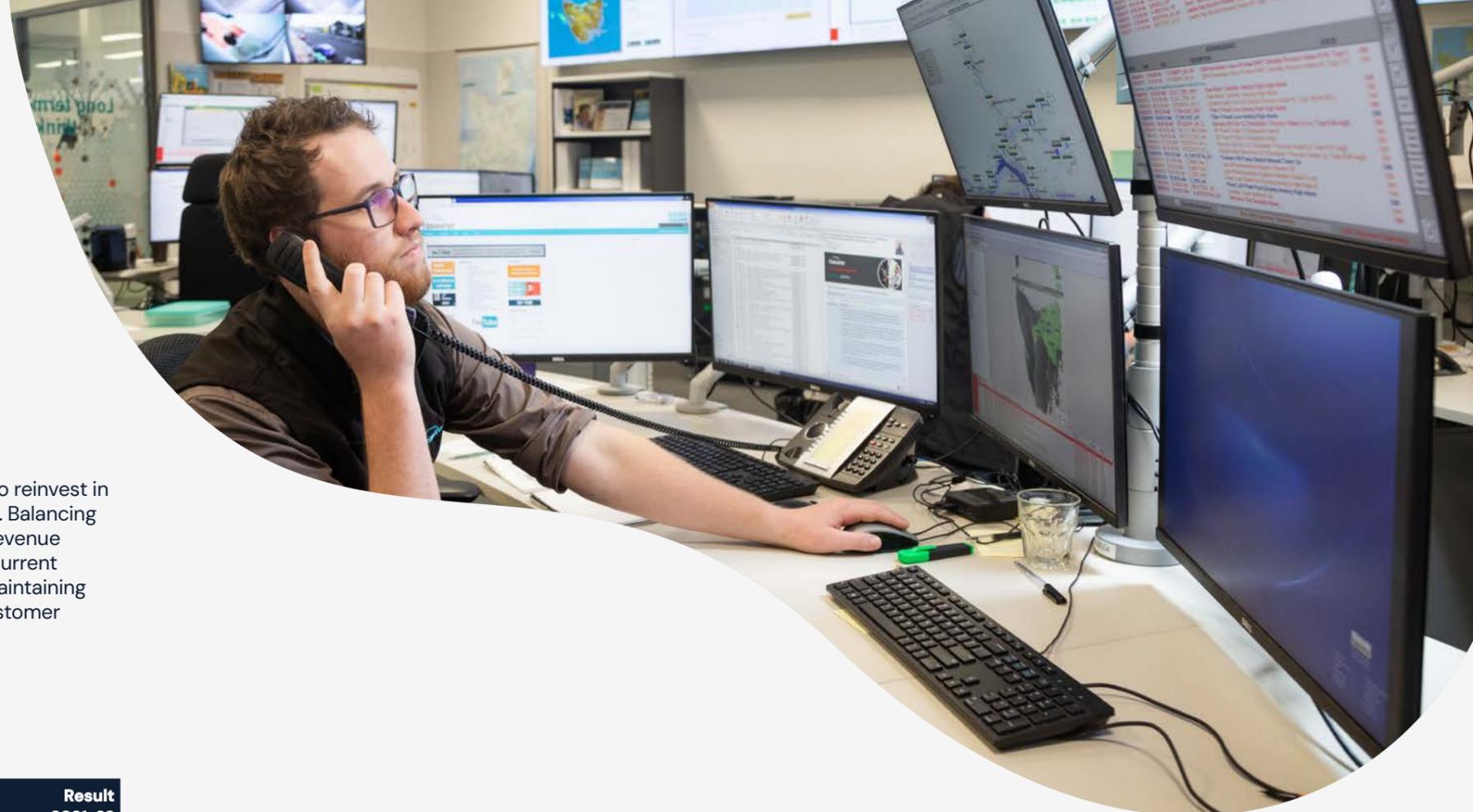
7 Completed construction of four new reservoirs at Rosebery, Triabunna, Tunbridge and Coles Bay, and four renewals at Hobart, Zeehan, Huonville and Franklin

8 Continued construction on the Ultraviolet (UV) Disinfection programs, to improve our treatment process across the state, with the final stage to be completed in 2023–24 (19 regional plants across the state)

9 Commenced delivery on the Penna Recycled Water Scheme Extension

10 Commenced the decommissioning phase of Tolosa Dam





We also continued to deliver small-to-medium-sized projects based on their value and complexity. A core improvement in the last year has been to provide efficiency gains in delivery mechanisms, allowing the organisation to deliver more for customers while reducing costs. Key achievements include:

- Commenced the delivery of the Districted Metered Area project, installing 68 monitored areas
- Relined 6.1km and upgraded 245m of the state’s highest priority sewer mains
- Replaced 7.1km of water mains
- Continued to renew critical assets throughout the state, improving our ability to manage our infrastructure through its lifecycle.

Financial sustainability

We must remain financially sustainable to be able to reinvest in our network for the future benefit of all Tasmanians. Balancing this to ensure financial sustainability while having revenue capped at 3.5 per cent is a challenging task in the current financial climate, with the costs of operating and maintaining our treatment plants increasing alongside rising customer expectations for service.

This is a challenge we are committed to meeting.

Key financial performance

Metric	Result 2022-23	Target 2022-23	Result 2021-22
Adjusted net profit	\$70.9M	\$60.5M	\$62.9M
Underlying net profit	\$31.2M	\$30.9M	\$31.9M
Debt to equity	44.6%	46.3%	44.2%
Interest cover (times)	3.4	3.1	3.9
Productivity savings	\$2.3M	\$2.2M	\$1.4M

TasWater reported a profit of \$70.9 million for the year ended 30 June 2023 (2021-22 included \$0.5 million asset writedown). The underlying result was a profit of \$31.2 million, excluding contributed asset revenue.

A reconciliation of the movement between the underlying result and the reported net profit for the financial year ending 30 June 2023 is provided below:

Description	Result 2022-23
Underlying net profit	\$31.2M
Contributed asset revenue	\$39.7M
Adjusted net profit	\$70.9M

Paying our suppliers faster

During the year we refined our payment terms for small vendors and from April 2023 we paid over 90 per cent of our small businesses within 20 days. This improves the cash flow for our vendors and many small Tasmanian businesses we work with.

Economic contribution/development

We continue to support economic development by promptly processing planning, building and plumbing applications, and by continuing to work closely with the PlanBuild Project Team as it develops a central portal for the lodgement, tracking, assessment and approval of development applications.

Digital and cyber security

The security of our network and customer data is extremely important to us.

During the year, the Digital and Technology team undertook significant initiatives including:

- Increasing IT security and resilience to cyber attack
- Increasing security of customer data and customer payments to protect our customers
- Implementing an enterprise data storage solution and structured data warehousing
- Consolidating asset and operational information into a digital knowledge hub
- Data solutions including GIS asset tracing to identify impact to customers

and improve operational response to interruptions, outages and water quality issues

- Implementing a new flood early warning system
- Introducing a surveying program to develop our digital twin and set a new industry benchmark (one of the largest Australian deployments of reality capture)
- Providing support for non-revenue water technology solution
- Digitising site plans, contingency management plans and water safety plans
- Introducing condition-based pump monitoring and optimising maintenance, thus reducing costs.

We are reviewing our Digital Strategy and delivery model to support our objectives to become a 'digital business' and boost the Digital and Technology functions' agility, efficiency, effectiveness, and the digital value contributed across the business.

During the year we accelerated the delivery of our Cybersecurity Strategy to reduce the risk and impact of cyber-attacks. Our cybersecurity strategy is designed to drive a secure-by-design, cyber-aware culture to seamlessly enable digital transformation and safeguard our customers' information and critical services against cyber threats.

Productivity improvement program

TasWater's Productivity Improvement Program continued to play an important part in keeping customer bills as affordable as possible.

During the financial year, we realised \$2.3 million in operational cost reductions by focusing on improving processes to ensure we work as efficiently and effectively as possible with our current number of full-time equivalent employees.

With the additional \$2.3 million achieved this financial year, TasWater's total business savings, since its commencement in 2013, amount to \$36.2 million. We are committed to driving ongoing productivity and efficiency outcomes for the benefit of our teams and customers.

Winnovators program

For the first time, TasWater also took part in Water Aid's Winnovators program. Winnovators is an employee-development program where employees collaborate to solve a real-world problem while learning new skills and thinking outside the box to invent life-changing ideas. It enhances leadership qualities and transforms futures through clean water, decent toilets, and good hygiene. This was a unique chance for TasWater employees to work together to develop solutions for challenges faced in the communities in which WaterAid works.



06

Corporate governance

Corporate governance

The Tasmanian Water and Sewerage Corporation Pty Ltd, trading as TasWater, was established under the *Water and Sewerage Corporation Act 2012 (Tas) (WSCA)*.

It was incorporated on 5 February 2013 as a proprietary limited company under the *Corporations Act 2001 (Cth)*, owned collectively by the 29 Tasmanian councils. Its constitution was adopted on incorporation and ratified by the owners at a general meeting on 16 May 2013 and operations commenced on 1 July 2013.

At a special general meeting on 27 September 2018 the council owners approved entry by TasWater into a share subscription and implementation agreement, which, together with the passage of the water and sewerage legislation (*Corporate Governance and Pricing Amendment Act 2018 (Tas)*), facilitated the State Government becoming a shareholder in TasWater in early 2019. Consequential amendments to TasWater's Constitution and the Shareholders' Letter of Expectations were also approved, with the State Government formally

becoming a shareholder in January 2019.

In the 2022–23 financial year Owners approved amendments to the Shareholders' Letter of Expectations to streamline the reporting framework to apply from the 2023–24 financial year – moving from quarterly reporting and briefings to council owners to half-year reporting and briefing to council owners (with the requirement to hold two General Meetings maintained).

The WSCA prescribes our objectives as:

- To efficiently provide water and sewerage functions in Tasmania
- To encourage water conservation, the demand management of water and the re-use of water on an economic and commercial basis
- To be a successful business and, to this end:
 - operate our activities in accordance with good commercial practice

- to deliver sustainable returns to our members
- to deliver water and sewerage services to customers in the most cost-efficient manner.

Principal activities

Our principal activities during 2022–23 were:

- The sourcing, treatment and reliable delivery of quality drinking water to our customers
- The collection, transportation, treatment and safe return of wastewater to the environment.

Role of the Board

The Board of Directors is responsible for TasWater's overall corporate governance. The Board performs this role by:

- Governing the Corporation in accordance with the requirements of the WSCA, including meeting its objectives under that Act
- Providing entrepreneurial leadership of the Corporation within a framework of prudent and effective controls that enable risks to be assessed and managed
- Setting the Corporation's strategic aims, ensuring the necessary financial and human resources are in place for the Corporation to meet

its objectives, and reviewing management performance

- Setting and monitoring strategic requirements for effective financial reporting and risk management
- Setting the Corporation's values and standards, and ensuring that its obligations to its shareholders and others are understood and met
- Appointing the Chief Executive Officer and monitoring performance
- Ensuring the Corporation complies with its Constitution as well as all applicable laws and relevant instruments, including the Shareholders' Letter of Expectations.

The Board has determined which matters it will manage exclusively, with the remainder delegated to the CEO and various TasWater officers.

Corporate governance framework

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

TasWater has voluntarily adopted the ASX's Corporate Governance Principles and Recommendations (ASX Principles) as the basis for its corporate governance framework.

As it is not a publicly listed company, not all of the ASX Principles are relevant and, in some areas, TasWater's governing legislation, context and structure preclude it from complying with those principles. Where this occurs, TasWater has sought to recognise the intent of the ASX Principles in its policies and practices, while remaining compliant with its obligations under other applicable instruments.

The WSCA mandates other specific governance features, including the composition of the Board and the rights and responsibilities of our owners, and formally displaces specific sections of the *Corporations Act 2001 (Cth)*. In most other ways, the Board's powers, obligations, rights and responsibilities are similar to those of other large, privately owned proprietary limited companies.

A summary of our compliance with the ASX Principles is included later in this section.

The Board

The WSCA prescribes the composition of TasWater's Board. All directors, including the Chair, are non-executive and independent in terms of their external relationships with the corporation.



Chair

Dr Stephen Gumley AO, HonDEng (Tas), BE (Hons), DPhil (Oxon), MBA (Tas), FIE (Aust), FTSE

Dr Gumley was appointed as TasWater's Chairman on 30 November 2018.

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

Dr Gumley has held a diverse portfolio of board positions since the 1980s, including with the University of Tasmania, the Tasmanian Development Authority, AMOG Holdings, the Independent Chair/Director of Lightning Protection International, the Victoria Defence Council and as a board adviser on Goulburn Murray Water's \$2 billion irrigation asset renewal program and Murray Irrigation's \$200 million infrastructure program.

On 23 June 2021, Dr Gumley was reappointed as Chair for a further term, to take effect from 30 November 2021.



Director

Nick Burrows, BCom, FAICD, FCA, FGIA, FTIA, F Fin

Mr Burrows is currently a member of the boards of Genetic Technologies Ltd and Plastic Fabrications Pty Ltd and associated entities, an Independent Member of the Audit, Finance & Risk Committee of Brand Tasmania, an Advisory Board Member of Taz Drone Solutions and 2PM Services, an Independent Member of the Audit, Finance & Risk Committee of Tourism Tasmania, the Independent Chair and Board adviser to Kriticos Group and advisory boards, and the Independent Chair of the Audit and Risk Committee of Ta Ann Pty Ltd.

Mr Burrows has over 30 years' commercial experience in Tasmania's public, state government and local government sectors, as well as the listed sector, large private/family companies, community organisations, membership-based bodies and not-for-profits.

Mr Burrows is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Accountants of Australia, the Governance Institute of Australia, the Tax Institute of Australia and the Financial Services Institute of Australasia.

On 30 June 2022 Mr Burrows was reappointed as a director for a further term, to take effect from 1 March 2023 to 30 September 2023.



Director

Sally Darke, BEc, FAICD

Ms Darke is Chairperson of the Tasmanian Community Fund, the Independent Non-Executive Director of Stadiums Tasmania, a panel member of the Tasmanian Community Infrastructure Fund, and past Chairperson and Non-Executive Director of Scotch Oakburn College, Non-Executive Director of TasPorts, and Bank of Us (B&E). She is a current facilitator for the Australian Institute of Company Directors and a past State Councillor.

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

On 1 December 2020 Ms Darke was reappointed as a director for a further term, to take effect from 28 February 2021.



Director
Vincent (Tony) Kelly,
CPEng, DipCivEng, MAICD

Mr Kelly has in excess of 40 years' experience in the water industry and was previously Managing Director of Yarra Valley Water (2003–2014). He is a director of Aptumo Australia, Adjunct Professor at the University of Technology Sydney and a member of the Public Housing Maintenance Taskforce for Homes Victoria.

In addition, he has held numerous positions on water industry and not-for-profit bodies, including Chairman of WaterAid Australia, the Savewater Alliance and the Victorian Water Industry Association's Sustainability Taskforce.

Mr Kelly was formerly Chair of Isle Utilities Asia Pacific and Board member of WaterLinks.

On 23 June 2021, Mr Kelly was reappointed as a director for a further term, to take effect from 28 February 2022.



Director
Dr Helen Locher,
BSc, MEnvSc, PhD (Civil
Engineering), GAICD

Dr Locher has over 30 years' experience working within Australia and overseas on environmental, social and sustainability issues. Her work has a particular focus on water resource management, renewable energy and sustainable infrastructure development. She has worked in more than 30 countries on sustainability issues relating to hydropower and has received several international awards recognising her contributions to the field.

In addition to TasWater, Dr Locher is currently a Non-Executive Director of Icon Water, Icon Retail Investments Limited and Icon Distribution Investments Limited. She is a member of the Tasmanian Civil and Administrative Tribunal and has previously held board roles for the Tasmanian Environment Protection Authority and the former Resource Planning and Development Commission.

On 23 June 2021 Dr Locher was reappointed as a director for a further term, to take effect from 28 February 2022.



Director
Joanne Pearson,
MBA, BBus (Acct), FCPA, GAICD

Ms Pearson is a qualified accountant with many years of financial experience, primarily in the regulated utilities sector. Her last executive role was Chief Financial Officer for energy company Jemena.

She has significant knowledge and understanding of financial and risk management governance and oversight through her previous executive roles in listed entities, large privately owned businesses, and public sector businesses, as well as her roles on various boards and committees. Currently, Ms Pearson is a Director and Chair of the Audit and Risk Committee of Westernport Water in Victoria, a Member of the Safety, Audit and Risk Committee of ActewAGL in the ACT, and a Member of the Audit and Risk Committee of the United Church of Australia – Synod of Victoria and Tasmania.

Other boards in the utilities sector on which she has served as a director or alternate director include Zinfra Pty Ltd, ActewAGL, and United Energy Ltd.

On 30 June 2022 Ms Pearson was reappointed as a director for a further term to take effect from 1 March 2023.



Director
Kevin Young,
MBA, BEng, FAICD, Hon FIEA

Mr Young has over 20 years' experience as a director and over 40 years' experience working for the private sector and government authorities within Australia and overseas.

He is the immediate past Managing Director of Sydney Water Corporation and prior to that was Managing Director of Hunter Water Corporation. He is currently a Director of CityCare and Apex Water New Zealand, Banlaw Pty Ltd and is also the Deputy Chancellor of the University of Newcastle.

On 23 June 2021, Mr Young was reappointed as a director for a further term, to take effect from 20 September 2022.

Directors' meeting attendance 2022–23

Director	Board		Audit & Risk Committee (AAR)		Environment & Public Health Committee (EPH)		People, Culture & Community Committee (PCC)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Dr Stephen Gumley AO	11	11	-	3*	-	3*	-	3*
Nick Burrows (AAR Chair)	11	11	3	3	3	3	-	3*
Sally Darke (PCC Chair)	11	10	3	3	-	2*	3	3
Vincent (Tony) Kelly AM (EPH Chair)	11	10	-	1*	3	3	3	3
Dr Helen Locher	11	10	3	3	-	2*	3	3
Joanne Pearson	11	10	3	3	3	3	-	2*
Kevin Young	11	11	-	3*	3	3	3	3

Notes:

One matter was considered by the Board through circular resolution without a meeting being held.

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

Committees

Audit and Risk Committee

TasWater's Audit and Risk Committee (AAR) comprises four independent directors. The committee is chaired by Mr Nick Burrows and met three times during the year.

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

During 2022–23 the committee endorsed a three-year strategic internal audit plan to ensure planned audit activities are aligned to material strategic and operational risks. Internal audit reports are provided to the committee, which monitors TasWater management progress in addressing risk-rated recommendations and improvement opportunities identified by the internal auditors.

TasWater has maintained an outsourced Internal Audit Function since its inception in 2013. Wise Lord Ferguson Accounting & Advisory (WLF) have been TasWater's Internal Auditors since November 2016. WLF is responsible for coordinating the planning of Internal Audit activities, managing delivery of

services and reporting on Internal Audit activities to the Audit and Risk Committee.

During 2022–23 the committee considered a range of matters, including TasWater's annual statutory financial report and related external audit requirements, financial and accounting policies and standards, climate-related financial disclosures, environmental, social, and governance emerging trends, compliance and risk management (including risk appetite and strategic deep dives), treasury management and debt duration, insurance renewal, and asset valuation methodology. The committee also oversaw delivery of a comprehensive internal audit program designed to inform the directors and management on key risks and controls. The committee has ongoing communication with external and internal auditors.

Environment and Public Health Committee

The Environment and Public Health (EPH) Committee comprises four independent directors. It is chaired by Mr Tony Kelly. The committee met three times during the year.

In accordance with its charter approved by the Board, the committee assists the Board by reviewing, monitoring and overseeing matters relating to environmental strategy, trade waste management and drinking water. In 2022–23 the committee focused on:

- Ongoing improvement in drinking water quality, risk management in water catchments and drinking water fluoridation
- Understanding the impacts of trade waste on TasWater's operations and implications for customers moving toward contemporary trade waste discharge standards
- Taking a risk-based approach to sewage treatment plant performance to ensure greater priority is given to plants that present a higher

potential risk to the environment and the shellfish industry

- Commenced discussions about development of long-term policy and business objectives relating to environmental sustainability. This includes climate change resilience and will lead to a climate change adaptation strategy as part of the organisation's long-term planning
- Commenced a review of the organisation's strategy and practices aimed at reducing water leakage and infiltration of stormwater into the sewerage system.

People, Culture and Community Committee

The People, Culture and Community (PCC) Committee comprises four independent directors. It is chaired by Mrs Sally Darke. The committee met three times during the year.

In accordance with its charter approved by the Board, the committee assisted the Board through the oversight, direction and guidance of people, culture, and community strategies. Its major focus in 2022–23 was:

- Monitoring and reviewing the building of a constructive organisational culture
- Promoting diversity and inclusion within the organisation
- Facilitating workforce planning to meet TasWater's current and future resourcing needs
- Supporting workplace health, safety, and wellbeing
- Reviewing and assessing appropriate remuneration and performance frameworks
- Developing and maintaining a positive profile and role within the Tasmanian community
- Developing and maintaining positive and constructive relationships with our customers and other stakeholders.

Owner Name	Owner's Representative part year	Owner's Representative part year
Break O'Day Council	Mayor Mick Tucker	Mayor Mick Tucker
Brighton Council	Mayor Leigh Gray	Mayor Leigh Gray
Burnie City Council	Mayor Steve Kons until 26.10.22	Mayor Teeny Brumby from 12.1.23
Central Coast Council	Mayor Jan Bonde until 26.10.22	Mayor Cheryl Fuller from 24.11.22
Central Highlands Council	Deputy Mayor Jim Allwright	Deputy Mayor Jim Allwright
Circular Head Council	Mayor Darryl Quilliam until 26.10.22	Mayor Gerard Blizzard from 14.12.22
Clarence City Council	Mayor Doug Chipman until 26.10.22	Mayor Brendan Blomeley from 22.11.22
The Crown	David Bailey until 22.6.23	Sarah Christopher from 22.6.23
Derwent Valley Council	Mayor Michelle Dracoulis	Mayor Michelle Dracoulis
Devonport City Council	Mayor Annette Rockliff until 26.10.22	Mayor Alison Jarman from 20.12.23
Dorset Council	Mayor Greg Howard	Mayor Greg Howard
Flinders Council	Councillor Peter Rhodes until 26.10.22	Councillor Garry Blenkhorn from 9.1.23
George Town Council	Mayor Greg Kieser	Mayor Greg Kieser
Glamorgan-Spring Bay Council	Councillor Annie Browning until 26.10.22	Councillor Neil Edwards from 24.11.22
Glenorchy City Council	Mayor Bec Thomas	Mayor Bec Thomas
Hobart City Council	Councillor Will Coats until 26.10.22	Councillor Ben Lohberger from 29.11.22
Huon Valley Council	Mayor Sally Doyle from 1.11.21	Mayor Sally Doyle from 1.11.22
Kentish Council	Mayor Tim Wilson until 26.10.22	Mayor Kate Haberle from 21.11.22
Kingborough Council	Mayor Paula Wriedt	Mayor Paula Wriedt
King Island Council	Councillor Jim Cooper until 26.10.22	Deputy Mayor Vernon Philbey from 21.11.23
Latrobe Council	Mayor Peter Freshney	Mayor Peter Freshney
Launceston City Council	Mayor Albert Van Zetten until 26.10.22	Mayor Danny Gibson from 22.11.22 until 1.6.23
Meander Valley Council	Mayor Wayne Johnston from 3.2.23	Mayor Wayne Johnston
Northern Midlands Council	Mayor Mary Knowles	Mayor Mary Knowles
Sorell Council	Mayor Kerry Vincent	Mayor Kerry Vincent
Southern Midlands Council	Mayor Alex Green until 1.11.22	Councillor Tony Bisdee from 9.12.22

Owner Name	Owner's Representative part year	Owner's Representative part year
Tasman Council	Mayor Kelly Spaulding	Councillor Kelly Spaulding
Waratah-Wynyard Council	Mayor Robbie Walsh until 26.10.22	Mayor Mary Duniam from 22.11.22
West Coast Council	Mayor Shane Pitt	Mayor Shane Pitt
West Tamar Council	Councillor Richard Ireland	Councillor Richard Ireland

Board Selection Committee

Committee Member	Part year 2022	Part year 2023
TasWater Chairman	Dr Steve Gumley AO	
TasWater Company Secretary	Ailsa Sypkes until 9.11.22	Kate Crawford from 1.3.23
Chief Representative	Mayor Alex Green until 1.11.22	Mayor Wayne Johnston from 6.3.23
Sorell Council	Mayor Kerry Vincent	
Glenorchy City Council	Mayor Bec Thomas	
Central Coast Council	Mayor Jan Bonde until 26.10.22	
Waratah-Wynyard Council		Mayor Mary Duniam from 6.3.23
West Tamar Council	Councillor Richard Ireland	
The Crown	David Bailey until 22.6.23	Sarah Christopher from 22.6.23

Corporate governance disclosure obligations

Principle 1 – Lay solid foundations for management and oversight

Companies should clearly delineate the respective roles and responsibilities of its Board and management and regularly review their performance.

The respective roles and responsibilities of TasWater's Board and management are outlined in the Board Charter and Statement of Matters Reserved to the Board, and disclosed on TasWater's website: www.taswater.com.au/about-us/governance-policies .	✓
TasWater undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director.	✓
TasWater provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director through the Board Selection Committee established by shareholders in accordance with TasWater's Constitution.	✓
TasWater has written agreements with each director and senior executive setting out the terms of their appointment.	✓
The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	✓
TasWater has a Diversity and Inclusion Policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity in the composition of the Board, senior executives and workforce generally and to assess annually both the objectives and the progress in achieving them.	✓
The Board Selection Committee periodically evaluates the performance of the Board, its committees and individual directors. A performance evaluation was undertaken in the reporting period.	✓
TasWater has a process for periodically evaluating the performance of its senior executives. A performance evaluation was undertaken in the reporting period in accordance with that process.	✓

KEY

Complies	✓
Processes not compliant or not applicable	✗
Principle adapted to meet TasWater's context but consistent with the intent	!

Principle 2 – Structure the Board to add value

Companies should have a board of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

The process of recruiting directors is undertaken by a Board Selection Committee in accordance with the WSCA, comprising representatives appointed by the Owners' Representatives in each of the three regions and the Board Chair.	✓
The Board Selection Committee has a charter that is regularly reviewed.	✓
Succession planning for the Board is managed by the Board Selection Committee in consultation with the Board Chair.	✓
The members of the Board Selection Committee are disclosed in the Annual Report.	✓
The Board Selection Committee has a skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	✓
The Board solely comprises independent directors.	✓
The length of service of each director is disclosed in the Annual Report and on TasWater's website.	✓
Directors disclose any interests and the register of interests is reviewed at least annually.	✓
Directors undergo an induction program when appointed, and appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their roles effectively are provided.	✓

Principle 3 – Instil a culture of acting lawfully, ethically and responsibly

Companies should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

The Board has a Directors' Code of Conduct and TasWater employees have a Code of Conduct and the Corporation's Values and Behaviours are articulated.	✓
The codes of conduct applicable to directors and employees are published on TasWater's website.	✓
Any material breaches of the codes of conduct are reported to the Audit and Risk Committee and the Board.	✓
The current profile of TasWater's Board and workforce is explained in the Annual Report.	✓
TasWater's Whistleblower Policy is published on TasWater's website: www.taswater.com.au/about-us/governance-policies	✓
Any material incidents reported under the Whistleblower Policy are reported to the Audit and Risk Committee and the Board.	✓
The Fraud and Corruption Control Policy is disclosed on TasWater's website: www.taswater.com.au/about-us/governance-policies	✓
Any incidents of fraud or corruption are reported to the Audit & Risk Committee and Board.	✓

Principle 4 – Safeguard the integrity of corporate reports

Companies should have appropriate processes to verify the integrity of its corporate reports.

The Board has an Audit and Risk Committee comprising four independent non-executive directors.	✓
The Chair of the Audit and Risk Committee is an independent non-executive director who is not the Board Chair.	✓
The Audit and Risk Committee Charter is published on TasWater's website.	✓
The directors' qualifications and experience are disclosed in this Annual Report and are published on TasWater's website.	✓
The Audit and Risk Committee meeting schedule and directors' attendance are disclosed in this Annual Report.	✓
The CEO and Chief Financial Officer provide declarations that the financial records are compliant with appropriate accounting standards and give a true and fair view of the financial position and performance of TasWater and that the opinion has been formed on the basis of a sound system of risk management and internal controls which are operating effectively.	✓
The Auditor-General is invited to attend TasWater's Annual General Meeting.	✓

Principle 5 – Make timely and balanced disclosure

Companies should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Our key governance documents prescribe two General Meetings of Owners' Representatives each year.	✓
The Board's continuous disclosures policy is encompassed in its Shareholders Relations Policy disclosed on TasWater's website: www.taswater.com.au/about-us/governance-policies TasWater is not a listed entity, so does not make market announcements.	!

Principle 6 – Respect the rights of security holders

Companies should provide their security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

TasWater's key governance documents are published on TasWater's website.	✓
In the reporting period, TasWater held two General Meetings of Owners' Representatives and two additional quarterly briefings.	✓
In the reporting period, the Owners' Representatives received quarterly reports.	✓
The Owners' Representatives general meetings and quarterly meetings provide forums for shareholders to communicate with TasWater.	✓
The Shareholder Relations Policy, Owners' Representatives Code of Conduct and Owners' Representatives Group Charter facilitate effective communication between TasWater and the Owners' Representatives and are published on the TasWater website.	✓
General Meeting resolutions can be decided by a show of hands or a poll in accordance with TasWater's Constitution.	!
Owners' Representatives and owners are able to receive communication from and provide communication to TasWater electronically.	✓

Principle 7 – Recognise and manage risk

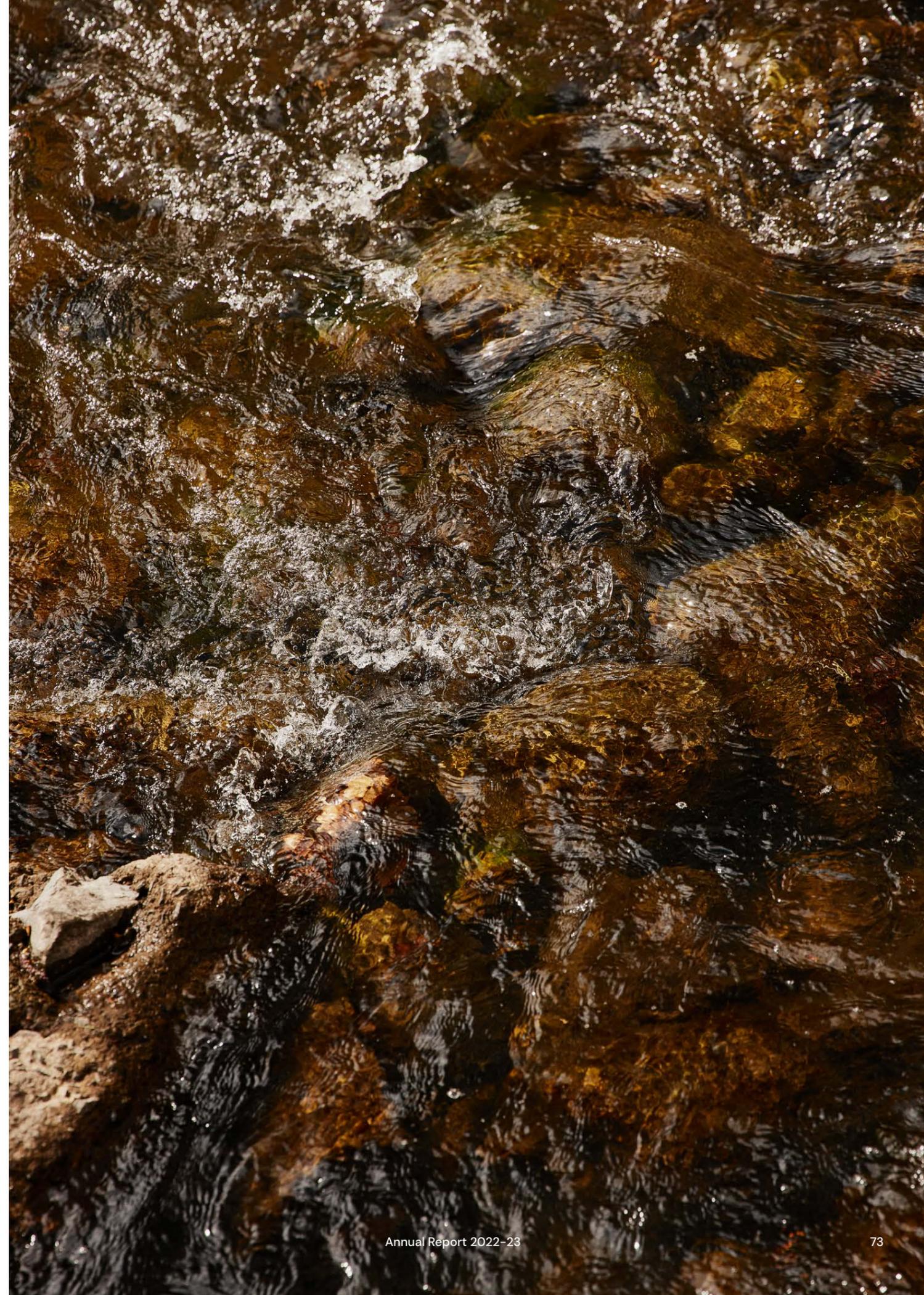
Companies should establish a sound risk management framework and periodically review the effectiveness of that framework.

TasWater has an Audit and Risk Committee comprising four independent non-executive directors, chaired by an independent non-executive director, that oversees risk.	✓
The Audit and Risk Committee Charter is published on the TasWater website.	✓
The number of Audit and Risk Committee meetings held and the directors' attendance figures are disclosed in this Annual Report.	✓
TasWater's Risk Management Framework has been established and undergoes periodic review to ensure that it continues to be sound and that TasWater is operating with due regard to the risk appetite set by the Board.	✓
The Audit and Risk Committee reviewed the Risk Management Framework in the period.	✓
The internal audit arrangements are published in this Annual Report.	✓
The Board is informed of any material exposure to economic, environmental and social sustainability risks and how those risks are managed.	✓

Principle 8 – Remunerate fairly and responsibly

Companies should pay director remuneration sufficient to attract and retain high-quality directors and design their executive remuneration to attract, retain and motivate high-quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

TasWater has a People, Culture and Community Committee comprising four independent non-executive directors, chaired by an independent non-executive director, that oversees the remuneration policy and remuneration framework applying to senior executives.	✓
The People, Culture and Community Committee Charter is published on the TasWater website.	✓
The number of People, Culture and Community Committee meetings held and the directors' attendance figures are disclosed in this Annual Report.	✓
Directors have taken advice from independent expert advisers as required.	✓
Under the enabling legislation, remuneration for directors is the responsibility of Owners' Representatives and the Board Selection Committee. Disclosures in Principle 2 above explain the composition of the Board Selection Committee.	!
The Remuneration Report, incorporated in the Directors' Report, provides further detail on TasWater's remuneration policies.	✓
TasWater's does not have an equity-based remuneration scheme (i.e. a remuneration scheme including shares or options)	!



07

Financial Report

Image credit – Fred and Hannah

Directors' Report for the Financial Year Ended 30 June 2023

The directors of Tasmanian Water and Sewerage Corporation Pty Ltd, trading as TasWater (the Corporation), present the Financial Report of the Corporation for the financial year ended 30 June 2023. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Legislative authority

TasWater was formed on 5 February 2013 under the *Corporations Act 2001* and pursuant to the *Water and Sewerage Corporation Act 2012* (WSCA). It is governed by the Corporation's Constitution.

The principal objectives of the Corporation are as follows:

- A. To efficiently provide water and sewerage functions in Tasmania;
- B. To encourage water conservation, the demand management of water and the re-use of water on an economic and commercial basis;
- C. To be a successful business and, to this end:
 - i. To operate its activities in accordance with good commercial practice;
 - ii. To deliver sustainable returns to its members; and
 - iii. To deliver water and sewerage services to customers in the most cost-efficient manner.

Each of the principal objectives of the Corporation is of equal importance.

Principal activities

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

- The sourcing, treatment and reliable delivery of quality drinking water to our customers; and
- The collection, transportation, treatment and safe return of wastewater to the environment.

Review of operations

The Corporation reported a profit of \$70,961,544 for the year ended 30 June 2023 (2022: profit \$62,441,644). The 2023 underlying result was a profit of \$31,248,360 (2022: profit \$31,927,532), excluding contributed asset revenue and the impact of any revaluation of the Corporation's assets.

A reconciliation of the movement between the underlying result and the reported net profit for the financial year ending 30 June 2023 and for the year ending 30 June 2022 is provided below:

	30 June 2023	30 June 2022
	\$	\$
Underlying net profit	31,248,360	31,927,532
Contributed asset revenue	39,713,184	30,966,467
Adjusted net profit	70,961,544	62,893,999
Impairment expense	-	(452,355)
Net profit	70,961,544	62,441,644

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 Corporation has a Wastewater Risk Management Plan (WRMP), developed in consultation with the Environment Protection Authority (EPA), which outlines initiatives and implementation schedules to address the EPA's priorities with respect to environmental risk and non-compliance. The Corporation has continued a statewide approach to resolving permit non-compliances during the year with EPA approving the new Contingency Management Plans, resolving a number of legacy non-compliances, and development of a new environmental licence compliance system to provide improved oversight of compliance.

The Corporation has continued to work with the EPA and Glamorgan-Spring Bay Council to resolve a legacy permit issue for Bicheno STP, in alignment with the WRMP. The project to augment the reuse scheme has progressed with development of the Environmental Impact Statement and initial design, commissioning of the project is anticipated for late 2024.

During the year minor fines were imposed on the Corporation by the EPA in relation to:

- A breach of section 32 of the *Environmental Management and Pollution Control Act 1994* for failing to notify the Director of the EPA within 24 hours after becoming aware of the release of a pollutant occurring as a result of major weather conditions causing a significant bypass event at Hoblers Bridge, Norwood and Sheffield sewerage treatment plants on 11 June 2022.

Apart from the above, directors are not aware of any breaches during the year covered by the report.

The Corporation continues to proactively work with the shellfish industry and its regulator (ShellMAP) to ensure that when uncontrolled discharges to the environment occur, disruption to shellfish production and sales is minimised and potential public health risks are effectively mitigated.

Drinking water systems

The Board has the responsibility to ensure compliance with all drinking water regulations. The Corporation has a Drinking Water Quality Risk Management Plan to assist with monitoring compliance and this is endorsed by the Department of Health.

At 30 June 2023, all of the Corporation's drinking water systems complied with the microbiological health guidelines contained in the Australian Drinking Water Guidelines, as specified in the Tasmanian Drinking Water Quality Guidelines, and the *Tasmanian Public Health Act 1997*. The Corporation achieved 100 per cent microbiological compliance during the financial year with no boil water alerts issued.

Dam portfolio

The Corporation manages its dams in accordance with its responsibilities under the *Water Management Act 1999* and the Australian National Committee on Large Dams (ANCOLD) Guidelines. The Corporation uses a structured portfolio risk-based compliance program to prioritise management, surveillance, monitoring, upgrade and decommissioning of dams to mitigate identified risks.

The Corporation has two dams (2021-22: two) out of an extensive dam portfolio (in excess of 330 dams) that are currently known to exceed ANCOLD tolerable risk limits. Several other significant to extreme consequence category dams in the portfolio require the Corporation to undertake interim risk-based management and schedule prioritised dam upgrades.

All dams are being managed under mitigation plans agreed with the Tasmanian Dam Safety Regulator and progress is regularly reported to the Board and annually to the Regulator. For the two dams identified as having intolerable risk, although these risks are currently mitigated, the Corporation is implementing permanent solutions. Delays have been experienced due to the complexity of the upgrades, with detailed planning now expected to be completed by the end of FY2024–25 and works scheduled immediately thereafter.

Distributions to Owner Councils including dividends

The Corporation distributed \$24,000,000 to Owner Councils during the year (2022: \$24,000,000). A reconciliation of the individual components of the distributions is provided below:

Distribution type	30 June 2023 \$	30 June 2022 \$
Ordinary dividends	20,000,000	20,000,000
Special dividends	4,000,000	4,000,000
Total distributions	24,000,000	24,000,000

The Board of the Corporation approved the payment of a \$4,000,000 special dividend during the financial year. The special dividend payment reflects the Corporation's endeavour to return \$20,000,000 in forgone dividends during COVID-19 to Owner Councils over a five-year period between FY2021–22 to FY2025–26.

Events after balance date

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

Likely future developments

Further information on likely future developments in the operations of the Corporation is included in the joint Chair and CEO's Report within this Annual Report.

Remuneration report – Audited

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 2023. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior executive details
- Remuneration policy
- Relationship between the remuneration policy and the Corporation's performance
- Remuneration of directors and senior executives
- Key terms of employment contracts.

Director and senior executive details

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

- Dr Stephen Gumley AO (Chair)
- Mr Nick Burrows
- Ms Sally Darke
- Mr Vincent (Tony) Kelly AM
- Dr Helen Locher
- Ms Joanne Pearson
- Mr Kevin Young

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

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

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

Senior Executive	Title	Commencement Date	End Date
George Theo	Chief Executive Officer	15/03/2022	
Kane Ingham	Chief Financial Officer	17/10/2022	
Jonathon Bellette	Acting Chief Financial Officer	13/08/2022	16/10/2022
Matthew Pigden	Chief Financial Officer	16/03/2020	12/08/2022
Kate Crawford	General Counsel and Company Secretary	13/02/2023	
Matt Balfe	General Manager Customer and Community	03/10/2022	
Kendall Mahnken	Acting General Manager Corporate and Community Relations	17/01/2022	02/10/2022
Ailsa Sypkes	General Manager Governance and Assurance	28/04/2014	14/10/2022
Frances Smith	Acting General Manager Governance and Assurance	15/10/2022	12/02/2023
Joanna Giannini	General Manager People, Culture and Safety	13/08/2022	
Rolfe Brimfield	Acting General Manager People and Safety	17/12/2021	12/08/2022
Tony Willmott	General Manager Project Delivery	15/03/2021	
David Hughes-Owen	General Manager Service Delivery	10/03/2020	
Matthew Derbyshire	General Manager Sustainable Infrastructure Services	05/07/2021	

Each of the senior executives named held their positions during or since the end of the financial year.

Remuneration policy

Senior executives' remuneration

The Board has approved a remuneration framework that was developed having taken into consideration advice from independent remuneration specialists and benchmarked nationally. The framework applies to senior executives, line managers and specific professional or expert positions, and the CEO is obliged to work within its parameters.

The remuneration of senior executives is based on total employment cost to the Corporation. Components of remuneration can include cash and non-cash alternatives, as well as any fringe benefits tax incurred. No equity-based components or incentives are offered as part of any remuneration.

Non-executive directors' remuneration

Under the Water Sewerage Corporation Act, the Owners' Representative Group (ORG) is responsible for determining the remuneration framework for non-executive directors. The Board Selection Committee, comprising a group of Owners' Representatives and the Board Chair, is delegated responsibility for determining the remuneration framework.

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

Non-executive directors are also entitled to reimbursement of expenses incurred while attending to Corporation business.

Relationship between the remuneration policy and the Corporation's performance

The Corporation's remuneration policy has been designed to align the objectives of senior executives with business objectives.

The CEO and all senior executives are appointed under individual employment agreements. Performance objectives are established and assessed annually. The CEO's performance against the objectives is reviewed by the Board at least annually. For other senior executives, the CEO reports to the Board at least annually.

Remuneration of directors and senior executives

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

2023 Non-executive Directors			Short-Term Benefits	Post-Employment Benefits	
Name	Position	Period	Base Salary \$	Superannuation \$	Total \$
Dr Stephen Gumley AO	Chair	Full Year	117,589	12,347	129,936
Nick Burrows	Director	Full Year	68,923	7,237	76,160
Sally Darke	Director	Full Year	68,923	7,237	76,160
Vincent (Tony) Kelly AM	Director	Full Year	68,923	7,237	76,160
Dr Helen Locher	Director	Full Year	64,808	6,805	71,613
Joanne Pearson	Director	Full Year	64,808	6,805	71,613
Kevin Young	Director	Full Year	64,957	6,821	71,778
Total			518,931	54,489	573,420

2022 Non-executive Directors			Short-Term Benefits	Post-Employment Benefits	
Name	Position	Period	Base Salary \$	Superannuation \$	Total \$
Dr Stephen Gumley AO	Chair	Full Year	112,285	11,229	123,514
Nick Burrows	Director	Full Year	65,814	6,581	72,395
Sally Darke	Director	Full Year	65,814	6,581	72,395
Vincent (Tony) Kelly AM	Director	Full Year	65,814	6,581	72,395
Dr Helen Locher	Director	Full Year	61,885	6,189	68,074
Joanne Pearson	Director	Full Year	61,885	6,189	68,074
Kevin Young	Director	Full Year	61,736	6,174	67,910
Total			495,233	49,524	544,757

Base salary includes Board and Committee Fees.

2023 Senior Executives				Movement in accrued Leave Benefits ²	Superannuation ³	Total
Name	Position	Period	Salary ¹ \$	\$	\$	\$
George Theo	Chief Executive Officer	Full Year	502,500	28,702	27,500	558,702
Matt Balfe	General Manager Customer and Community	From 03/10/2022	198,635	9,001	18,288	225,924
Kate Crawford	General Counsel and Company Secretary	From 13/02/2023	84,859	6,226	8,910	99,995
Matthew Derbyshire	General Manager Sustainable Infrastructure Services	Full Year	283,055	(3,461)	27,500	307,094
David Hughes-Owen	General Manager Service Delivery	Full Year	303,240	4,976	27,500	335,716
Kane Ingham	Chief Financial Officer	From 17/10/2022	196,767	1,560	17,121	215,448
Joanna Giannini	General Manager People, Culture and Safety	From 13/08/2022	226,553	11,906	21,401	259,860
Matthew Pigden	Chief Financial Officer	To 12/08/2022	128,957	(8,476)	3,599	124,080
Ailsa Sypkes	General Manager Governance and Assurance	To 14/10/2022	170,177	(14,434)	10,577	166,320
Tony Willmott	General Manager Project Delivery	Full Year	294,744	(6,530)	25,292	313,506
Subtotal			2,389,487	29,470	187,688	2,606,645

2023 Senior Executives				Movement in accrued Leave Benefits ²	Superannuation ³	Total
Name	Position	Period	Salary ¹ \$	\$	\$	\$
Acting Arrangements						
Jonathon Bellette	Chief Financial Officer	15/08/2022 – 16/10/2022	46,702	(480)	4,367	50,589
Rolfe Brimfield	General Manager People and Safety	01/07/2022– 12/08/2022	33,462	(722)	4,231	36,971
Kendall Mahnken	General Manager Corporate and Community Relations	01/07/2022– 02/10/2022	58,694	(19,036)	6,809	46,467
Frances Smith	General Manager Governance and Assurance	17/10/2022– 12/02/2023	68,523	(4,838)	16,883	80,568
Subtotal			207,381	(25,076)	32,290	214,595
Total			2,596,868	4,394	219,978	2,821,240

¹ Base Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.

² 'Movement in accrued Leave Benefits' represents the net movement in annual and long service leave provisions, including accrued benefits for long service leave and annual leave paid as a consequence of termination.

³ Superannuation means the contribution fund of the individual.

2022 Senior Executives			Movement in accrued Leave Benefits ³				Total
Name	Position	Period	Salary \$	Vehicles ² \$	Superannuation ⁴ \$	Benefits ³ \$	Total \$
Michael Brewster	Chief Executive Officer	To 09/02/2022	490,280	-	17,784	(25,920)	482,144
George Theo	Chief Executive Officer	From 15/03/2022	141,788	-	7,019	8,701	157,508
Cathy Cuthbertson	General Manager People and Safety	To 22/12/2021	239,379	-	13,750	(22,490)	230,639
Matthew Derbyshire	General Manager Asset Management Services	Acting 01/07/2021-04/07/2021 Appointed 05/07/2021	317,283	-	26,709	24,186	368,178
David Hughes-Owen	General Manager Service Delivery	Full Year	297,827	-	27,500	16,080	341,407
Juliet Mercer	General Manager Corporate and Community Relations	To 03/12/2021	134,725	-	12,497	(45,073)	102,149
Matthew Pigden	Chief Financial Officer	Full Year	340,812	-	27,198	(42,765)	325,245
Ailsa Sypkes	General Manager Governance and Assurance	Full Year	258,202	6,182	27,500	11,223	303,107

¹ Base Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.

² Vehicles represents pre-tax contributions and reportable fringe benefit tax based on the employee's private use.

³ 'Movement in accrued Leave Benefits' represents the net movement in annual and long service leave provisions, including accrued benefits for long service leave and annual leave paid as a consequence of termination.

⁴ Superannuation means the contribution fund of the individual.

2022 Senior Executives			Movement in accrued Leave Benefits ³				Total
Name	Position	Period	Salary \$	Vehicles ² \$	Superannuation ⁴ \$	Benefits ³ \$	Total \$
Tony Willmott	General Manager Project Delivery	Full Year (except for acting arrangements as noted below) 13/12/2021-10/01/2022 and 10/02/2022-14/03/2022	303,309	-	23,982	(3,298)	323,993
	Acting Chief Executive Officer						
Subtotal			2,523,605	6,182	183,939	(79,356)	2,634,370
Acting arrangements							
Rolfe Brimfield	General Manager People and Safety	17/12/2021-30/06/2022	112,606	-	13,663	22,910	149,179
Tim Cubit	General Manager Project Delivery	13/12/2021-10/01/2022 and 10/02/2022-14/03/2022	43,235	-	4,324	(2,771)	44,788
Kendall Mahnken	General Manager Corporate and Community Relations	17/01/2022-30/06/2022	93,577	-	9,358	25,190	128,125
Jayne Shepherd	General Manager Corporate and Community Relations	29/11/2021-16/01/2022	31,215	-	3,121	1,512	35,848
Subtotal			280,633	-	30,466	46,841	357,940
Total			2,804,238	6,182	214,405	(32,515)	2,992,310

The Corporation does not pay bonuses or any other short-term incentive payment to any member of key management personnel.

Key terms of employment contracts

Non-executive directors

Appointment conditions for non-executive directors are specified in both the Water Sewerage Corporation Act and formal letters of appointment. These include:

- Each term of appointment must not exceed three years.
- A director may be re-appointed for further terms not exceeding three years each.
- A director can be appointed for consecutive terms up to a maximum of 10 continuous years from the date of first appointment. The 10-year period may only be extended by Special Majority of the Selection Committee.
- Either the independent director, the Corporation or the ORG may terminate the relationship on three months' notice or immediately in certain situations, and
- The Corporation is to ensure that it has appropriate directors' and officers' liability insurance.

Senior executive staff

The employment terms and conditions of senior executives are formalised in individual employment agreements.

Consistent with legislated requirements, senior executives receive a superannuation guarantee contribution of 10.5 per cent (2022: 10.0 per cent) up to a minimum of the superannuation guarantee fee contribution limit. In order to avoid exceeding the cap, senior executives may elect to limit concessional contributions to the cap amount and take any additional amounts as salary. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation. Upon retirement, senior executives are paid employee benefit entitlements accrued to the date of retirement.

Terms of employment require the senior executive or the Corporation to provide a minimum notice period prior to termination of an individual employment agreement, subject to conditions of the *Fair Work Act 2009*, where applicable. The length of notice varies between individual employment agreements; however, it is generally three to six months. Under certain circumstances, senior executives may be paid a redundancy, the level of which is dependent on individual contractual arrangements.

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 during or since the financial year, indemnified or agreed to indemnify an auditor of the Corporation against a liability incurred as an auditor.

Proceedings on behalf of the Corporation

No person has applied for leave of the Court to bring proceedings on behalf of the Corporation or intervened in any proceedings to which the Corporation is a party for the purpose of taking responsibility on behalf of the Corporation for all or any part of those proceedings.

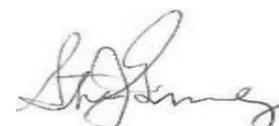
The Corporation was not a party to any such proceedings during the year.

Auditor's independence declaration

The auditor's independence declaration is included on page 10.

This Directors' Report is signed in accordance with a resolution of directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the directors



Dr Stephen Gumley AO
Board Chair



Nick Burrows
Audit and Risk Committee Chair

10 August 2023

Auditor's Independence Declaration



Level 2, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

11 August 2023

The Board of Directors
Tasmanian Water and Sewerage Corporation Pty Ltd
GPO Box 1393
HOBART TAS 7000

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 the Tasmanian Water and Sewerage Corporation Pty Ltd for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) any applicable code of professional conduct in relation to the audit.

In accordance with the *Corporations Act 2001* a copy of this declaration must be included in the Directors' Report.

Yours sincerely

Jeff Tongs
Assistant Auditor-General
Delegate of the Auditor-General

Table of contents

Grouping	Note	Contents	Page
Signed Reports	-	Directors' Declaration	90
	-	Independent Auditor's Report	91
Financial Statements	-	Statement of Comprehensive Income	96
	-	Statement of Financial Position	97
	-	Statement of Cash Flows	98
	-	Statement of Changes in Equity	99
	1	General information	100
General Information	2	Summary of significant accounting policies	102
	3	Events after balance date	103
	4	Operating segments	103
Business Performance	5	Revenue and other income	105
	6	Expenses	107
Asset Platform	7	Contributed equity	109
	8	Dividends	110
	9	Current assets	111
	10	Property, plant and equipment	115
	11	Intangibles	123
	12	Right of use assets	125
	13	Current and non-current liabilities	126
	14	Reserves	130
	15	Leases	132
	16	Employee benefits	135
People	17	Compensation of key management personnel	139
	18	Financial instruments	140
Funding Structure and Management of Financial Risks	19	Related party disclosures	146
	20	Commitments	146
Other Important Information	21	Contingent assets/liabilities	147
	22	Remuneration of auditors	147

Directors' Declaration

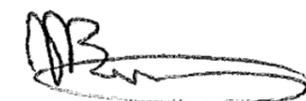
The directors declare that for the financial year ended 30 June 2023:

- a) The attached financial statements and notes thereto comply with accounting standards;
- b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Corporation;
- c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth);
- d) In the directors' opinion, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and
- e) The directors have been given the declarations as set out in Section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2023.

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



Dr Stephen Gumley AO
Board Chair



Nick Burrows
Audit and Risk Committee Chair

10 August 2023

Independent Auditor's Report



Independent Auditor's Report

To the Members of Tasmanian Water and Sewerage Corporation Pty Ltd Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the Tasmanian Water and Sewerage Corporation Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2023 and statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In my opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

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

Independent Auditor’s Report

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Valuation of water and sewerage infrastructure <i>Refer to note 10</i>	
<p>Property, plant and equipment includes material long-life water and sewerage infrastructure assets recognised at fair value and carried at \$1,819.03 million at 30 June 2023.</p> <p>The fair value of these water and sewerage assets is determined in using an income valuation methodology based on discounted cash flows. The projected cash flows are discounted to present value using a discount rate based on a real pre-tax weighted average cost of capital (WACC).</p> <p>The calculation of fair value is judgemental and highly dependent on a range of assumptions and estimates, such as the discount rate, perpetuity factor, expected revenue growth, operating expenditure growth rate, renewal capital expenditure and WACC.</p>	<ul style="list-style-type: none"> • Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness. • Checking, on a sample basis, the accuracy and relevance of the input data used, including by reconciling input data to supporting evidence such as approved budgets and corporate plans. • Assessing the reasonableness of cash flow forecasts and terminal value estimates relative to board approved budgets, historical growth trends, long term asset management plans and other relevant internal and external evidence. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process. • Evaluating the work of management on whether the discount rate applied was within a reasonable range, with reference to market data and industry research. • Challenging the reasonableness of key assumptions based on our knowledge of the Company. • Evaluating management’s sensitivity analysis to assist in considering the potential impact of reasonably possible changes in these key assumptions.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
	<ul style="list-style-type: none"> • Testing on a sample basis, the internal mathematical accuracy of the valuation model’s calculations. • Evaluating the adequacy of disclosures made in the financial report, including those regarding key assumptions used in the valuation, in light of the requirements of AASB 13 <i>Fair Value Measurement</i>.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company’s Directors’ Report for the year ended 30 June 2023, but does not include the financial report and my auditor’s report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they

Independent Auditor's Report

could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

4

Report on the Remuneration Report

Opinion on the Remuneration Report

I have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2023. 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 2023.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report. My responsibility is to express an opinion on the Remuneration Report, based on my audit conducted in accordance with Australian Auditing Standards.



Jeff Tongs
Assistant Auditor-General
Delegate of the Auditor-General
Tasmanian Audit Office

11 August 2023
Hobart

5

Tasmanian Water and Sewerage Corporation Pty Ltd

Statement of Comprehensive Income

for the Financial Year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Sales revenue	5	365,644	349,272
Other revenue	5	43,910	36,735
Total revenue		409,554	386,007
Expenses			
Raw materials and consumables	6	26,645	24,416
Depreciation and amortisation expenses	6	87,991	92,176
Employee and related expenses	6	109,605	101,694
Operations and maintenance expenses	6	66,810	63,753
Administration expenses	6	30,347	25,156
Finance expenses	6	17,194	15,917
Impairment expenses	6	-	452
Total expenses		338,592	323,564
Net profit		70,962	62,443
Other comprehensive income: Items that will not be reclassified to profit and loss			
Actuarial gain on defined benefit plans	16	19	2,345
Change in net asset revaluation reserve	14.1	(63)	(1,557)
Change in net hedging reserve	14.2	-	(212)
Total other comprehensive income		(44)	576
Total comprehensive income for the year		70,918	63,019

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

Tasmanian Water and Sewerage Corporation Pty Ltd

Statement of Financial Position

as at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	9.1	3,445	2,900
Receivables	9.2	40,572	36,874
Inventories	9.3	8,760	8,562
Prepayments		6,419	4,035
Assets classified as held for sale	9.4	15	93
Total current assets		59,211	52,464
Non-current assets			
Receivables	9.2	287	433
Property, plant and equipment	10	2,620,558	2,439,653
Intangibles	11	34,019	35,331
Right of use assets	12	8,050	8,079
Total non-current assets		2,662,914	2,483,496
Total assets		2,722,125	2,535,960
Current liabilities			
Payables	13.1	52,254	48,115
Employee benefits	16	22,831	21,949
Borrowings	13.2	91,630	102,032
Unearned income	13.3	2,960	1,526
Lease liabilities	13.4	503	458
Other current liabilities	13.5	11,575	13,627
Total current liabilities		181,753	187,707
Non-current liabilities			
Employee benefits	16	5,961	6,993
Borrowings	13.2	692,748	632,879
Unearned income	13.3	54,568	35,193
Lease liabilities	13.4	8,298	8,343
Other non-current liabilities	13.5	26,726	9,692
Total non-current liabilities		788,301	693,100
Total liabilities		970,054	880,807
Net assets		1,752,071	1,655,153
Equity			
Retained profits		(296,143)	(343,124)
Asset revaluation reserve	14.1	370,400	370,463
Hedging reserve	14.2	-	-
Contributed equity	7	1,677,814	1,627,814
Total equity		1,752,071	1,655,153

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

Tasmanian Water and Sewerage Corporation Pty Ltd

Statement of Cash Flows

for the Financial Year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers and other sources		388,934	380,875
Payments to suppliers and employees		(254,578)	(249,385)
Headwork charges		65	78
Grant funds		-	500
Interest received		794	627
Interest paid		(14,886)	(14,503)
Net cash inflow from operating activities	9.1	120,329	118,192
Cash flows used in investing activities			
Payments for property, plant and equipment		(188,982)	(231,904)
Interest paid for capital works		(9,260)	(4,678)
Payments for capitalised employee and direct costs		(17,368)	(14,205)
Government grants		20,208	684
Proceeds from sale of property, plant and equipment		990	1,786
Equity contributions	7	50,000	40,000
Net cash outflow used in investing activities		(144,412)	(208,317)
Cash flows from financing activities			
Proceeds from borrowings		440,088	606,075
Repayment of borrowings		(390,621)	(490,932)
Dividends paid to Owner councils	8	(24,000)	(24,000)
Repayment of lease liabilities		(839)	(996)
Net cash inflow from financing activities		24,628	90,147
Net increase in cash and cash equivalents		545	22
Cash and cash equivalents at the beginning of the year		2,900	2,878
Cash and cash equivalents at the end of the year	9.1	3,445	2,900

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

Tasmanian Water and Sewerage Corporation Pty Ltd

Statement of Changes in Equity

for the Financial Year ended 30 June 2023

	Notes	Retained profits \$'000	Reserves \$'000	Contributed equity \$'000	Total equity \$'000
Balance as at 30 June 2021		(383,911)	372,232	1,587,814	1,576,135
Net profit		62,442	-	-	62,442
Equity contribution	7	-	-	40,000	40,000
Dividends paid	8	(24,000)	-	-	(24,000)
Other comprehensive income		2,345	(1,769)	-	576
Balance as at 30 June 2022		(343,124)	370,463	1,627,814	1,655,153
Net profit		70,962	-	-	70,962
Equity contribution	7	-	-	50,000	50,000
Dividends paid	8	(24,000)	-	-	(24,000)
Other comprehensive income		19	(63)	-	(44)
Balance as at 30 June 2023		(296,143)	370,400	1,677,814	1,752,071

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

Tasmanian Water and Sewerage Corporation Pty Ltd

Notes to the Financial Statements

for the Financial Year ended 30 June 2023

1. General information

1.1 Company details

Tasmanian Water and Sewerage Corporation Pty Ltd (the Corporation), trading as TasWater, is a proprietary limited company incorporated in Australia. The address of the Corporation's registered office is 169 Main Road, Moonah, Tasmania.

The Corporation is owned by the 29 Councils in Tasmania and the Tasmanian Government:

- Break O'Day Council
- Brighton Council
- Burnie City Council
- Central Coast Council
- Central Highlands Council
- Circular Head Council
- Clarence City Council
- Derwent Valley Council
- Devonport City Council
- Dorset Council
- Flinders Council
- George Town Council
- Glamorgan Spring Bay Council
- Glenorchy City Council
- City of Hobart
- Huon Valley Council
- Kentish Council
- Kingborough Council
- King Island Council
- Latrobe Council
- City of Launceston
- Meander Valley Council
- Northern Midlands Council
- Sorell Council
- Southern Midlands Council
- Tasman Council
- Waratah-Wynyard Council
- West Coast Council
- West Tamar Council
- The Crown in Right of Tasmania

The Corporation operates as an entity under the *Corporations Act 2001* and in accordance with the *Water and Sewerage Corporation Act 2012* (WSCA) and the *Water and Sewerage Industry Act 2008* (WSIA).

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

1.2 Statement of compliance

This Financial Report is a general-purpose financial report, prepared in accordance with the *Corporations Act 2001* (Cth), relevant Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB).

The Financial Report was approved by the Board of Directors on 10 August 2023.

1.3 Basis of preparation

The Financial Report is based on historical cost, except for certain non-current assets and financial instruments that are

measured at revalued amounts or fair values, as explained in the accounting policies. Historical cost is based on the fair values of the consideration given in exchange for the assets. All figures, unless indicated otherwise, are reported in Australian dollars.

The Financial Report is prepared on a going concern basis. The Corporation's current liabilities exceed its current assets by \$122.5 million, mainly due to the classification of debt facilities that are set to mature by the 30 June 2024. The Corporation has access to unused debt facilities of \$115.6 million (refer to note 13.2), has historically generated positive operating cash flows, traded profitably, and

has a proven record of successful refinancing of debt facilities. Accordingly, the Directors believe that the going concern basis of preparation is appropriate.

The Corporation is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016, and, in accordance with that Class Order, amounts in the Financial Report are rounded off to the nearest thousand dollars (\$'000), unless otherwise stated.

Under section 9 of the *Water and Sewerage Legislation (Corporate Governance and Pricing) Amendment Act 2018*, which repealed section 23 (Payment of tax equivalents) of the *Water and Sewerage Corporation Act 2012*, the Corporation on 1 January 2019 withdrew from the National Tax Equivalent Regime.

1.4 Significant accounting judgements, estimates and assumptions

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

The most significant accounting estimates undertaken in the preparation of this Financial Report relate to:

- Useful lives of assets, refer to note 10
- Fair value of infrastructure, land, buildings and leasehold improvements, refer to note 10
- Asset impairment, refer to note 9.2, note 9.3, note 10, note 11, note 12, note 18
- Accrued revenue, in particular estimation

of the value of water supplied to customers between the date of the last meter reading and the year end and the amortisation period of government grants, refer to note 5

- Restoration and rehabilitation provisions, refer to note 13.5
- Customer refund provisions, refer to note 13.5
- Defined benefit obligations, refer to note 16
- Contingent assets and liabilities, refer to note 21.

1.5 Note to reader

The notes to the Financial Statements include information that is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Corporation.

Information is considered material and relevant if, for example:

- The amount in question is significant because of its size or nature
- It is important for understanding the results of the Corporation
- It helps explain the impact of significant changes in the Corporation
- It relates to an aspect of the Corporation's operations that is important for its future performance.

The notes have been grouped into sections to help readers understand how the Corporation's strategy is reflected in the financial performance and position of the Corporation:

- General Information
- Business Performance
- Asset Platform
- People
- Funding Structure and Management of Financial Risks
- Other Important Information.

2. Summary of significant accounting policies

2.1 Application of new and revised accounting standards

The Corporation has not adopted any new standards or interpretations effective from this financial year.

Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Corporation has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued, but are not yet effective:

Standard/ Interpretation	Summary	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending	Impact on financial report
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	Amends AASB Standards to improve accounting policy disclosures, to provide more useful information to users of the financial statements and clarify the distinction between accounting policies and accounting estimates.	1 January 2023	30 June 2024	The assessment has indicated that the change will not have a material impact but may change the disclosure of accounting policies included in the financial statements.
AASB 2022-6 <i>Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants</i>	Amends AASB 101 <i>Presentation of Financial Statements</i> to improve the information provided in the financial statements by requiring a liability to be classified as current when an entity does not have a substantive right to defer settlement at the end of the reporting period.	1 January 2024	30 June 2025	The assessment has indicated that the adoption of this standard will not change the way that we classify current and non-current liabilities.

2.2 Goods and services tax

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

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

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

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

2.3 Comparisons with previous year

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

2.4 Other accounting policies

Significant other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

3. Events after balance date

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

4. Operating segments

The following is an analysis of the Corporation's revenue, expenses and results from continuing operations by reportable segment:

Segment results Year ended 30 June 2023	Water \$'000	Sewerage \$'000	Other \$'000	Total \$'000
Revenue				
Service charges (including trade waste)	95,639	174,557	125	270,321
Usage charges (including trade waste)	65,997	8,666	2,614	77,277
State government-funded concessions	4,733	4,303	-	9,036
Other fees and charges, including concessions	5,100	3,847	63	9,010
Other revenue	20,459	22,890	561	43,910
Total revenue	191,928	214,263	3,363	409,554
Expenses				
Operations and maintenance (including raw materials)	49,571	43,196	688	93,455
Employee-related expenses	57,803	51,800	2	109,605
Administration expenses	14,255	15,901	191	30,347
Depreciation expenses	34,441	52,683	867	87,991
Finance expenses	7,122	9,854	218	17,194
Total expenses	163,192	173,434	1,966	338,592
Net profit (continuing operations)	28,736	40,829	1,397	70,962

4. Operating segments (continued)

Segment results Year ended 30 June 2022	Water \$'000	Sewerage \$'000	Other \$'000	Total \$'000
Revenue				
Service charges (including trade waste)	90,745	165,669	119	256,533
Usage charges (including trade waste)	63,609	8,423	2,251	74,283
State government-funded concessions	4,633	4,214	-	8,847
Other fees and charges, including concessions	5,693	3,916	-	9,609
Other revenue	17,562	18,603	570	36,735
Total revenue	182,242	200,825	2,940	386,007
Expenses				
Operations and maintenance (including raw materials)	46,956	40,567	646	88,169
Employee-related expenses	52,347	49,345	2	101,694
Administration expenses	12,146	12,868	142	25,156
Depreciation expenses	36,902	53,977	1,297	92,176
Finance expenses	6,270	9,434	213	15,917
Asset revaluation decrement	-	452	-	452
Total expenses	154,621	166,643	2,300	323,564
Net profit (continuing operations)	27,621	34,182	640	62,443

Recognition and measurement

The Corporation has voluntarily partially adopted AASB 8 *Operating Segments*. The disclosure requirements of AASB 8 do not apply to the Corporation, as they are only applicable to entities with publicly traded shares and debentures. However, the Corporation believes the voluntary disclosure of segment information will assist readers to better assess and understand the Corporation's financial performance.

Information reported to the Corporation's CEO for the purposes of resource allocation and assessment of segment performance is predominantly focused on the provision of the

two regulated services, water and sewerage. Information relating to a third segment, other, is also provided and incorporates non-regulated services such as reuse and irrigation. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. With the exception of property, plant and equipment, no asset and liability information is reported to the CEO for the purposes of resource allocation and assessment of segment performance. Property, plant and equipment information is provided in note 10.

5. Revenue and other income

The components of revenue and other income for the year ended 30 June are as follows:

	2023 \$'000	2022 \$'000
Sales revenue		
Service charges		
Water	95,639	90,745
Sewerage	170,269	161,726
Irrigation	125	119
Trade waste	4,288	3,943
Total service charges	270,321	256,533
Usage charges		
Water	65,997	63,609
Irrigation	585	661
Trade waste	8,666	8,423
Other	2,029	1,590
Total usage charges	77,277	74,283
State government-funded concessions	9,036	8,847
Other fees and charges, including new connections	9,010	9,609
Total sales revenue	365,644	349,272
Other revenue		
Contributed assets and developer charges	39,713	30,966
Government grants	1,422	1,881
Interest received	795	627
Other	1,980	3,261
Total other revenue	43,910	36,735
Total revenue	409,554	386,007

Recognition and measurement

Revenue is measured at the fair value of the consideration received or entitled to be received in exchange for goods and services or completion of performance obligations.

Sale of water

Fixed water charges are either billed monthly or quarterly and are recognised on a monthly basis. Variable water sales are recognised when water is metered as passing from the Corporation's distribution system to the customer. Unbilled water sales is an estimate of the value of water supplied to the customer between the date of the last meter reading and the year end and is included in water income within sales revenue and in the Statement of Financial Position as a receivable.

Sewerage income

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

Grants

Grants are recognised when received or when the Corporation obtains control over the assets comprising the contributions or at a point of time when the Corporation satisfies its performance obligations in the underlying agreement. 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.

Contributed assets and developer charges

Customer contributions, also known as contributed assets and developer charges received for no consideration, are recognised at fair value and treated as revenue when received unless they are directly associated with an incomplete capital project, in which case they are included as a liability and capital work in progress in the Statement of Financial Position and recognised when the project is completed.

This note relates to expenses table on right:
¹Average capitalisation rate is 3.40 per cent per annum (2021-22: 3.17 per cent per annum)

6. Expenses

The components of expenses for the year ended 30 June are as follows:

	Notes	2023 \$'000	2022 \$'000
Raw material and consumables			
Power costs		12,728	12,018
Chemicals		11,056	9,595
Water commission rights		2,861	2,803
Total		26,645	24,416
Depreciation expenses			
Infrastructure assets		72,011	74,106
Buildings and leasehold improvements		1,205	1,204
Other assets		7,428	8,154
Total	10	80,644	83,464
Amortisation expenses			
Intangibles		6,668	7,470
Total	11	6,668	7,470
Right of use assets	15	679	1,242
Total depreciation and amortisation expenses		87,991	92,176
Employee and related expenses			
Remuneration and on-costs		121,615	111,506
Less capitalised salaries		(17,368)	(14,205)
Restructure costs		1,028	826
Other employee and related expenses		4,330	3,567
Total		109,605	101,694
Operations and maintenance expenses			
Maintenance and planning		51,505	49,930
Property costs		9,061	8,492
Motor vehicles		3,971	3,357
Other operations and maintenance		2,273	1,974
Total		66,810	63,753
Administration expenses			
Insurance		2,943	2,954
Billing costs		2,722	2,538
Property costs		247	202
Information systems and communications		10,667	8,633
Regulatory fees		2,857	3,498
Doubtful debt provision	9.2	(121)	489
Account adjustment provision	13.5	5,688	2,325
Other administration		5,344	4,517
Total		30,347	25,156
Finance expenses			
Interest expense - borrowings		25,825	19,970
Less amount capitalised ¹		(9,260)	(4,678)
Interest expense - lease liabilities		376	394
Interest expense - superannuation		253	231
Total		17,194	15,917
Impairment expense			
Impairment expense on freehold land	10	-	452
Total		-	452
Total expenses		338,592	323,564

Recognition and measurement

Leased property, plant and equipment

Leases of property, plant and equipment entered into before 1 July 2019 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 lease terms.

Account adjustment provision

When an account adjustment is identified, the Corporation has an obligation under the *Tasmanian Water and Sewerage Industry Customer Service Code* to correct an overcharge from the first date of the overcharge. Account adjustments occur where the prices charged for a customer's TasWater services are not reflective of actual services provided. The amount includes write-backs to revenue and interest (where applicable) for adjustments applicable to previous financial years. The Corporation has a project in progress to substantially address the accuracy of its installation data which is due for completion by 30 June 2024.

All other account adjustments are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

Finance expenses

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

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

7. Contributed equity

	2023 Shares '000	2023 Amount \$'000	2022 Shares '000	2022 Amount \$'000
Ordinary shares issued and fully paid – councils				
Shares issued and fully paid:				
– beginning of the period	90,000	1,527,814	90,000	1,527,814
– share issue	–	–	–	–
Council shares issued and fully paid	90,000	1,527,814	90,000	1,527,814
Ordinary shares issued and fully paid – The Crown in the Right of Tasmania				
Shares issued and fully paid:				
– beginning of the period	5,000	100,000	3,000	60,000
– share issue	2,500	50,000	2,000	40,000
Crown shares issued and fully paid	7,500	150,000	5,000	100,000
Total shares issued and fully paid	97,500	1,677,814	95,000	1,627,814
Total authorised share capital	100,000		100,000	

The Corporation has 30 shareholders, comprising 29 councils and the Tasmanian Government (the Crown in the Right of Tasmania). The ordinary shares on issue rank *pari passu* (i.e. equally) in all respects, except for voting and dividend rights.

The Corporation's Constitution prescribes particular voting requirements for certain matters, including:

- Special Majority resolutions (supported by at least 75 per cent of the members entitled to vote on the resolution)
- 75/75 resolutions (supported by at least 75 per cent of the number of members entitled to vote on the resolution, and by members holding (collectively) at least 75 per cent of the equity in the Corporation) and

- Government Member resolutions (in which only the Crown's Owner's Representative is entitled to vote).

Other matters require the support of an ordinary majority of the number of members entitled to vote on the resolution, with the exception of the adoption of the Corporate Plan. The adoption of the Corporate Plan requires the support of an Ordinary Majority of members (excluding the Crown's Owner's Representative) and the Crown's Owner's Representative.

In terms of dividend rights, the Crown in the Right of Tasmania is not entitled to any dividends, although would participate in the distribution of any surplus net assets in the event of a wind-up of the Corporation.

Recognition and measurement

Contributions received are recognised on receipt.

8. Dividends

On 28 September 2022, 12 December 2022 and 29 March 2023, the Board of the Corporation approved the payment of interim dividends to councils totalling \$15,000,000 (2021–22: \$15,000,000). The interim dividends were paid on 30 September 2022, 16 December 2022 and 31 March 2023.

On 31 May 2023, the Board approved the payment of a final ordinary dividend of \$5,000,000 (2021–22: \$5,000,000) and a special dividend of \$4,000,000 (2021–22: \$4,000,000). The final and special dividends were paid on 2 June 2023.

Dividends paid were distributed in accordance with each member's equity proportions for distribution purposes, as documented in Schedule 3 of the Corporation's Constitution.

Recognition and measurement

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

9. Current assets

9.1 Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank and on hand	3,445	2,900
Total cash and cash equivalents	3,445	2,900

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

Net profit	70,962	62,443
Depreciation and amortisation expenses	87,991	92,176
Impairment expense	-	452
Grants of assets	(1,422)	(1,881)
Gain on sale of non-current assets	(74)	(653)
Contributed assets	(39,185)	(30,129)
Changes in assets and liabilities		
(Increase)/decrease in receivables	(3,552)	(2,338)
(Increase)/decrease in inventory	(198)	(200)
(Increase)/decrease in prepayments	(2,384)	3
Increase/(decrease) in payables	8,765	2,090
Increase/(decrease) in employee benefits	(150)	(2,403)
Increase/(decrease) in account adjustment provision	(1,916)	(606)
Increase/(decrease) in unearned income	1,492	(762)
Cash inflows from operating activities	120,329	118,192

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

Cash at bank and on hand	3,445	2,900
Cash as per statement of cash flows	3,445	2,900

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

30 June 2023	Cash Flows			
	Opening balance \$'000	Cash received \$'000	Cash repayment \$'000	Closing balance \$'000
Liabilities				
Borrowings	734,911	440,088	(390,621)	784,378

30 June 2022	Cash Flows			
	Opening balance \$'000	Cash received \$'000	Cash repayment \$'000	Closing balance \$'000
Liabilities				
Borrowings	619,768	606,075	(490,932)	734,911

Recognition and measurement

Cash and cash equivalents include 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 recognised at amortised cost.

9.2 Receivables

	2023 \$'000	2022 \$'000
Current receivables		
Contractual		
Trade receivables	31,957	28,747
Less allowance for impaired trade receivables	(6,970)	(7,915)
Unbilled water and sewerage income	11,627	12,508
Other current receivables	459	261
	37,073	33,601
Statutory		
GST input tax credit receivables	3,499	3,273
Total current receivables	40,572	36,874

	2023 \$'000	2022 \$'000
Non-current receivables		
Contractual		
Deferred payment receivables	287	433
Total non-current receivables	287	433
Total receivables	40,859	37,307

An ageing analysis of receivables is provided in note 18.5

	2023 \$'000	2022 \$'000
Movement in expected credit loss in trade receivables		
Opening balance	(7,915)	(7,633)
Decrease/(increase) in allowance	121	(490)
Amounts written off during the year	824	208
Closing balance	(6,970)	(7,915)

Recognition and measurement

Contractual Receivables, such as trade receivables and unbilled income in relation to goods and services, are classified as financial instruments and are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, they are measured at amortised cost using the effective interest method, less any impairment for expected credit losses. Settlement terms for customers range from 14 to 31 days from invoice date. Receivables include unbilled water and sewerage income.

Statutory Receivables, such as GST input tax credit receivable are not classified as financial instruments, as they do not arise from contracts. They are recognised and measured similarly to contractual receivables (except for impairment). The Corporation makes use of a simplified approach in accounting for trade and other receivables, and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Corporation used its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

9.3 Inventories

	2023 \$'000	2022 \$'000
Stores and consumables	9,303	9,095
Less allowance for obsolete stock	(543)	(533)
Total inventories	8,760	8,562

Recognition and measurement

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

9.4 Assets classified as held for sale

	2023 \$'000	2022 \$'000
Vehicles	15	92
Infrastructure	-	1
Total	15	93

Recognition and measurement

Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

10. Property, plant and equipment

	2023 \$'000	2022 \$'000
Infrastructure assets – water		
At fair value	1,043,184	976,298
Accumulated depreciation	(304,233)	(276,330)
Net book value	738,951	699,968
Infrastructure assets – sewerage		
At fair value	1,429,164	1,386,703
Accumulated depreciation	(349,081)	(304,973)
Net book value	1,080,083	1,081,730
Freehold land		
At fair value	161,651	161,638
Accumulated impairment	(1,995)	(1,995)
Net book value	159,656	159,643
Buildings and leasehold improvements		
At fair value	34,975	34,776
Accumulated depreciation	(11,260)	(10,055)
Net book value	23,715	24,721
Other assets		
At cost	81,083	75,851
Accumulated depreciation	(53,969)	(46,541)
Net book value	27,114	29,310
Work in progress		
At cost	591,039	444,281
Net book value	591,039	444,281
Total property, plant and equipment	2,620,558	2,439,653

Recognition and measurement

The Corporation uses the revaluation methodology for all property, plant and equipment excluding other assets and works in progress in accordance with AASB 116 *Property, Plant and Equipment* and measures fair value in accordance with AASB 13 *Fair Value Measurement*.

Infrastructure, freehold land and building assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment losses, where applicable. The initial cost is determined as the purchase value of the asset at the date of acquisition plus costs incidental to the acquisition. Developer contributions

received for no consideration are recorded at fair value, which are assessed based on commercial monetary unit rates for the particular asset. The cost of fixed assets constructed by the Corporation includes the cost of all materials used in construction, applicable finance expenses and the cost of direct labour on the project. Internal labour and other related costs may also form part of the project cost.

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

The Corporation recognises subsequent costs in the carrying amount of the fixed asset, or recognised as a new fixed asset, only when it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

Depreciation

Depreciation of property (other than land) and plant and equipment is calculated on an individually assessed economic life using the straight-line method of depreciation, so as to write off the net cost (or previously revalued amounts) of each asset over its expected useful life. The economic life of property (other than land) and plant and equipment is reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

• Dams / Earthworks	100 – 135 years
• Pipelines	30 – 140 years
• Civil / Structural	30 – 100 years
• Other Infrastructure	5 – 40 years
• Buildings	40 – 85 years
• Leasehold Improvements	2 – 10 years
• Other Assets	2 – 25 years

Movements in carrying amounts

Asset Group \$'000	Infrastructure Assets - Water at Fair Value Level 3	Infrastructure Assets - Sewerage at Fair Value Level 3	Freehold Land at Fair Value Level 2	Freehold Land at Fair Value Level 3	Buildings & Leasehold Improvements at Fair Value Level 2	Buildings & Leasehold Improvements at Fair Value Level 3	Other Assets at Cost	Work in Progress at Cost	Total
Net book values as at 1 July 2022	699,968	1,081,730	156,170	3,473	15,920	8,801	29,310	444,281	2,439,653
Contributed assets at fair value	18,741	20,973	13	-	-	-	-	-	39,727
Additions at cost	17,276	3,224	-	-	-	-	-	202,474	222,974
Transfers from work in progress	30,976	18,741	-	-	14	185	5,800	(55,716)	-
Transfers between asset classes	182	(212)	-	-	-	-	30	-	-
Disposals	(289)	(265)	-	-	-	-	(583)	-	(1,137)
Assets transferred to held for sale	-	-	-	-	-	-	(15)	-	(15)
Depreciation expenses	(27,903)	(44,108)	-	-	(587)	(618)	(7,428)	-	(80,644)
Net book values as at 30 June 2023	738,951	1,080,083	156,183	3,473	15,347	8,368	27,114	591,039	2,620,558

Asset Group \$'000	Infrastructure Assets - Water at Fair Value Level 3	Infrastructure Assets - Sewerage at Fair Value Level 3	Freehold Land at Fair Value Level 2	Freehold Land at Fair Value Level 3	Buildings & Leasehold Improvements at Fair Value Level 2	Buildings & Leasehold Improvements at Fair Value Level 3	Other Assets at Cost	Work in Progress at Cost	Total
Net book values as at 1 July 2021	687,160	1,091,306	158,007	3,453	14,937	9,337	30,613	251,600	2,246,413
Contributed assets at fair value	14,731	15,239	-	-	-	-	-	-	29,970
Additions at cost	610	1,798	-	-	-	-	-	247,438	249,846
Transfers from work in progress	27,756	17,526	183	20	1,547	104	7,621	(54,757)	-
Transfers between asset classes	11	3	-	-	-	-	(14)	-	-
Disposals	(333)	(2)	(25)	-	-	-	(664)	-	(1,024)
Revaluation increment	-	-	-	-	-	-	-	-	-
Impairment losses recognised through the asset revaluation reserve	-	-	(1,543)	-	-	-	-	-	(1,543)
Impairment losses recognised in the Statement of Comprehensive Income	-	-	(452)	-	-	-	-	-	(452)
Assets transferred to held for sale	(1)	-	-	-	-	-	(92)	-	(93)
Depreciation expenses	(29,966)	(44,140)	-	-	(564)	(640)	(8,154)	-	(83,464)
Net book values as at 30 June 2022	699,968	1,081,730	156,170	3,473	15,920	8,801	29,310	444,281	2,439,653

Fair value hierarchy

All assets and liabilities for which fair value is measured are categorised within the fair value hierarchy, described as follows, and based on the lowest level inputs that are significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Revaluations

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in net profit in the Statement of Comprehensive Income, in which case the increase is credited to profit to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation is recognised in net profit in the Statement of Comprehensive Income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

In measuring the fair values of fixed assets, freehold land and buildings (inclusive of leasehold improvements) are determined by independent valuers every three to five years, while the fair value of water and sewerage infrastructure assets is assessed annually, as at the end of each reporting period. The water and

sewerage infrastructure assets are assessed more regularly due to the sensitivity of the fair value of these asset classes to changes in data inputs, assumptions and estimates adopted in the valuation technique.

Freehold land and building assets

All freehold land and non-infrastructure buildings were valued at 30 June 2021 by APV Valuers and Asset Management (APV) using a fair value approach. The fair value measurement of the freehold land and buildings has been categorised as Level 2 in the fair value hierarchy based on the inputs used in the valuation techniques. Level 2 of the hierarchy applies where the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

All land and residential buildings were valued utilising the direct comparison approach using evidence derived from the analysis of recent sales of properties similar to the subject property. The sales were analysed on both a sales price per square metre of land area and building area where applicable. The income approach was used where the building would be predominately bought by investors. The building was assessed by applying a yield to the potential return from the building based on market evidence analysed by APV.

Infrastructure assets

Consistent with the prior year, the Corporation has determined the fair value of its infrastructure assets using the income approach. The income approach is considered the most appropriate valuation technique given the lack of active market for the specialised nature of the Corporation's infrastructure assets. The income approach converts expected future cash flows to a single current (i.e. discounted) amount from the perspective of a hypothetical market

participant. In applying the income approach, the Corporation compared the carrying value of infrastructure assets to a range of fair values calculated by progressively modelling sensitivities to the following key assumptions and estimates based on unobservable inputs:

- estimated future cash flows based on management's expectations about the possible variations in the amount and timing of the cash flows representing the uncertainty inherent in the estimation of cashflows projected over 10 years
- the weighted average cost of capital (WACC) discount rate developed from a market perspective
- other factors that market participants would take into account in the circumstances.

Based on the outcome of the fair values determined under this approach, the Corporation has determined the existing values are the most representative of the fair value of the water and sewerage infrastructure assets at the end of the reporting period. As such, no valuation adjustment was required.

The fair value of the infrastructure assets has been categorised as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique. Level 3 of the fair value hierarchy applies where there is a lack of an active market for the asset resulting in significant unobservable inputs being used to measure fair value.

The following table shows the key significant unobservable inputs used in the valuation technique and the relationship of each input on fair value measurement of the Corporation's infrastructure assets.

Unobservable Input	Basis for inputs 30/06/2023	Basis for inputs 30/06/2022	Range of Sensitivities to Base Considered	Relationship of Unobservable Inputs to Fair Value
Discount Rate	Real pre-tax weighted average cost of capital of 3.84% per annum. The Risk Free Rate of 3.10% was calculated by taking into account the current yield on 10-year Commonwealth government bonds, as well as the longer term expected yield.	Real pre-tax weighted average cost of capital of 3.65% per annum. The Risk Free Rate of 3.00% was calculated by taking into account the current yield on 10-year Commonwealth government bonds, as well as the longer term expected yield.	None.	The higher the discount rate, the lower the fair value.
Perpetuity Factor (calculated by using the Gordon Growth formula)	10-year discount period with a terminal value, based on a perpetuity factor of 31.28 applied for subsequent years.	10-year discount period with a terminal value, based on a perpetuity factor of 33.35 applied for subsequent years.	None.	The higher the perpetuity factor, the higher the fair value.
Expected Revenue growth	Based on the most recent revenue forecast and Corporate Plan estimates.	Based on the most recent revenue forecast and Corporate Plan estimates.	Fixed water revenue growth range 3.00% to 3.50%. Fixed sewerage revenue growth range 3.00% to 3.50%.	The higher the revenue growth rate, the higher the fair value.
Nominal average cost increase	Based on most recent expenditure forecast and Corporate Plan estimates, incorporating nominal average cost increase of 3.22% per annum.	Based on most recent expenditure forecast and Corporate Plan estimates, incorporating nominal average cost increase of 3.29% per annum.	None.	The higher the nominal average cost increase, the lower the fair value.
Nominal labour cost increase	Based on most recent expenditure forecast and Corporate Plan estimates, incorporating a nominal average increase in labour related costs of 3.50% per annum.	Based on most recent expenditure forecast and Corporate Plan estimates, incorporating a nominal average increase in labour related costs of 3.65% per annum.	None.	The higher the nominal average labour related cost increase, the lower the fair value.
Renewal capital expenditure	Capital expenditure as per most recent forecast and Corporate Plan estimates.	Capital expenditure as per most recent forecast and Corporate Plan estimates.	Water renewal range 31% to 41%. Sewerage renewal range 59% to 69%.	The higher the renewal capital spend, the lower the fair value.

Cost disclosure

AASB 116 *Property, Plant and Equipment* requires that when an asset class is carried at fair value, disclosure must be made of the carrying amount that would be recognised had it been carried under the cost method.

If plant and equipment were measured using the cost model, the carrying amounts at 30 June would be as follows:

As at 30 June 2023:							
Asset Group \$'000	Infrastructure assets – water	Infrastructure assets – sewerage	Freehold land	Buildings and leasehold improvements	Other assets	Work in progress	Total
Cost	3,411,424	2,890,505	66,985	38,441	81,083	591,039	7,079,477
Accumulated impairment	-	-	(452)	-	-	-	(452)
Accumulated depreciation	(2,096,744)	(1,646,216)	-	(26,515)	(53,969)	-	(3,823,444)
Net carrying amount	1,314,680	1,244,289	66,533	11,926	27,114	591,039	3,255,581

As at 30 June 2022:							
Asset Group \$'000	Infrastructure assets – water	Infrastructure assets – sewerage	Freehold land	Buildings and leasehold improvements	Other assets	Work in progress	Total
Cost	3,344,538	2,848,044	66,972	38,242	75,851	444,281	6,817,928
Accumulated impairment	-	-	(452)	-	-	-	(452)
Accumulated depreciation	(2,062,742)	(1,611,282)	-	(24,860)	(46,541)	-	(3,745,425)
Net carrying amount	1,281,796	1,236,762	66,520	13,382	29,310	444,281	3,072,051

11. Intangibles

	2023 \$'000	2022 \$'000
Intangibles		
At cost	84,969	80,207
Accumulated amortisation	(63,035)	(56,505)
Net book value	21,934	23,702
Work in progress		
At cost	12,085	11,629
Total	12,085	11,629
Total intangibles	34,019	35,331

Movements in carrying amounts

	Intangibles \$'000	Work in progress \$'000	Total \$'000
Net book values as at 1 July 2022	23,702	11,629	35,331
Additions at cost	-	5,398	5,398
Disposal	(42)	-	(42)
Transfers from work in progress	4,942	(4,942)	-
Amortisation expenses	(6,668)	-	(6,668)
Net book values as at 30 June 2023	21,934	12,085	34,019
Net book values as at 1 July 2021	23,515	13,367	36,882
Additions at cost	-	5,934	5,934
Transfers from work in progress	(15)	-	(15)
Transfers between asset classes	7,672	(7,672)	-
Amortisation expenses	(7,470)	-	(7,470)
Net book values as at 30 June 2022	23,702	11,629	35,331

Recognition and measurement

Acquired separately

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

Internally generated

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate

probable future economic benefits

- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Amortisation

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

12. Right-of-use assets

	2023 \$'000	2022 \$'000
Property		
At cost	12,169	11,442
Disposals	(261)	(161)
Accumulated depreciation	(4,224)	(3,586)
Net book value	7,684	7,695
Car parking		
At cost	413	389
Accumulated depreciation	(91)	(64)
Net book value	322	325
Communication		
At cost	103	103
Accumulated depreciation	(59)	(44)
Net book value	44	59
Total right of use assets	8,050	8,079

Details on right of use asset movements during the year are provided in note 15.

Recognition and measurement

The right of use asset is measured at cost at the commencement date. The cost of the right of use asset comprises of the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease, any initial direct costs incurred and an estimate of cost incurred in dismantling and removing the underlying asset.

Subsequent measurement

After the initial recognition, the Corporation will continue to measure the right of use asset applying the cost model.

13. Current and non-current liabilities

13.1 Payables

	2023 \$'000	2022 \$'000
Contractual		
Trade creditors	15,937	8,571
Accrued expenses	36,317	39,544
Total	52,254	48,115

Recognition and measurement

Trade creditors

Trade creditors are recognised at amortised cost when the Corporation becomes obliged to make future payments resulting from the purchase of goods and services. Trade creditors are unsecured and are usually settled between 21 and 30 days of recognition.

Accrued expenses provisions

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

13.2 Borrowings

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

	2023 \$'000	2022 \$'000
Current borrowings	91,630	102,032
Non-current borrowings	692,748	632,879
Total borrowings	784,378	734,911

Credit facilities

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

	2023 \$'000	2022 \$'000
Master loan borrowing limit - TASCORP		
Facility	900,000	850,000
Less used/committed	(784,378)	(734,911)
Unused facility	115,622	115,089

Corporate MasterCard

Facility	300	300
Less used/committed	(60)	(32)
Unused facility	240	268

13.3 Unearned income

	2023 \$'000	2022 \$'000
Current		
Government grants	1,197	1,255
Customer contributions	1,559	69
Other	204	202
Total current	2,960	1,526
Non-current		
Government grants	54,568	35,193
Total non-current	54,568	35,193
Total unearned income	57,528	36,719

Recognition and measurement

Government grants

Government grants represent deferred and unearned income for the construction of assets to be used in operations and funds to be expended on specific projects. Income is recognised in the profit or loss on a straight-line basis over the useful life of the asset or the fulfilment of grant conditions. The increase in unearned income as at 30 June 2023 is attributable to income received for the Tamar Estuary Health Action Plan.

13.4 Lease liabilities

	2023 \$'000	2022 \$'000
Current	503	458
Total current	503	458
Non-current	8,298	8,343
Total non-current	8,298	8,343
Total lease liabilities	8,801	8,801

Recognition and measurement

The lease liabilities are initially measured at the present value of the lease payments that are outstanding at commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

Subsequent measurement

After the initial recognition, the measurement of the lease liability is affected by accruing interest on the liability, lease payments made and remeasurement reflecting any reassessment or lease modification. Changes in the amount on remeasurement of the lease liability will be reflected as an adjustment to the right of use asset. However, if the carrying amount of the right of use asset is reduced to zero and if there is a further reduction in the measurement of the lease liability, the remaining amount will be recognised in the profit or loss.

13.5 Other liabilities

	2023 \$'000	2022 \$'000
Current		
Provision for rehabilitation	8,954	11,642
Provision for account adjustments	2,621	1,985
Total current	11,575	13,627
Non-current		
Provision for rehabilitation	26,726	7,140
Provision for account adjustments	-	2,552
Total non-current	26,726	9,692
Total other liabilities	38,301	23,319
Movement in provision		
Opening balance	23,319	23,823
New provisions raised for account adjustments	5,688	2,325
New provisions raised for rehabilitation	19,336	198
Outflows for account adjustment during the year	(7,604)	(2,931)
Outflows for rehabilitation during the year	(2,165)	(864)
Re-measurement for rehabilitation	(273)	768
Closing balance	38,301	23,319

Recognition and measurement

Rehabilitation

The Corporation assesses on an annual basis whether there is an obligation to establish a provision for site rehabilitation, taking into account plant or other activity such as dam decommissioning or asset rationalisation which has occurred through the year or is planned for future years. The amount to be provisioned will include the cost of necessary works to rehabilitate the site to conditions nominated in statute or government regulations or to satisfy community or other expectations. When appropriate, the future rehabilitation costs may be discounted by a present value technique. The increase in rehabilitation provision as at 30 June 2023 is directly attributable to sites identified for decommissioning or rationalisation as part of the Corporation's capital works program.

Account adjustments

When an account adjustment is identified, the Corporation has an obligation under the *Tasmanian Water and Sewerage Industry Customer Service Code* to correct an overcharge from the first date of the overcharge. Account adjustments occur where the prices charged for a customer's TasWater services are not reflective of actual services provided. These situations predominately occur due to legacy data on the service infrastructure at a site which varied in veracity, dating back to 2009 in some cases. The amount to be provisioned includes the estimated account adjustment including interest (where applicable). Where appropriate, the account adjustment provision has been discounted by a present value technique.

The Corporation used its historical experience and forward-looking information to calculate the expected account adjustments using a provision matrix.

14. Reserves

14.1 Asset revaluation reserve

	2023 \$'000	2022 \$'000
Asset revaluation reserve	370,400	370,463
Movement in reserve		
Opening balance	370,463	372,020
Disposals – level 2 assets	-	-
Disposals – level 3 assets	(63)	(14)
Revaluation increment – level 2 assets	-	-
Impairment decrement – level 2 assets	-	(1,543)
Closing balance asset revaluation reserve	370,400	370,463

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets – refer to note 10.

14.2 Hedging reserve

	2023 \$'000	2022 \$'000
Hedging reserve	-	-
Movement in reserve		
Opening balance	-	212
Disposals – level 1 assets	-	(212)
Additions – level 1 assets	-	-
Closing balance hedging reserve	-	-
The hedging reserve is used to record increments and decrements on the movement in foreign exchange rates related to financial instruments – refer to note 18.4.		
Total movement in reserves	(63)	(1,769)
Total reserves	370,400	370,463

15. Leases

The Corporation has leases for a number of offices, depots and treatment facility sites, car parking, and IT communication equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of sales) are excluded from the initial measurement of the lease liability and asset.

Leases of office and depot property generally have a lease term ranging from two years to five years; however, most leases of land where infrastructure property are situated is generally expected to be a minimum of 10 to 20 years. Lease payments are generally linked to annual changes in an index, e.g. national CPI with a limited number of leases with fixed annual increases.

The table below describes the nature of the Corporation's leasing activities by type of right-of-use asset recognised on the balance sheet:

Right of use asset at 30 June 2023	Right of use assets leased	Range of remaining term	Average remaining lease term	Leases with extension options	Leases with options to purchase	Leases with variable payment options	Leases with termination options
	Number	Years	Years	Number	Number	Number	Number
Property	13	1 – 26	7	11	-	-	2
Car parking	3	2 – 18	13	3	-	-	-
Communication	1	3	3	1	-	-	-
Total	17			15	-	-	2

Right of use asset at 30 June 2022	Right of use assets leased	Range of remaining term	Average remaining lease term	Leases with extension options	Leases with options to purchase	Leases with variable payment options	Leases with termination options
	Number	Years	Years	Number	Number	Number	Number
Property	13	1 – 27	8	11	-	-	2
Car parking	3	3 – 19	14	3	-	-	-
Communication	1	4	4	-	-	-	-
Total	17			14	-	-	2

Right-of-use assets

Additional information on the right-of-use assets by class of assets is as follows:

Asset class at 30 June 2023	Opening balance \$'000	Additions \$'000	Disposals \$'000	Depreciation \$'000	Impairment \$'000	Closing balance \$'000
Property	7,695	727	(101)	(637)	-	7,684
Car parking	325	24	-	(27)	-	322
Communication	59	-	-	(15)	-	44
Total	8,079	751	(101)	(679)	-	8,050

Asset class at 30 June 2022	Opening balance \$'000	Additions \$'000	Disposals \$'000	Depreciation \$'000	Impairment \$'000	Closing balance \$'000
Property	8,790	159	(53)	(1,201)	-	7,695
Car parking	352	-	-	(27)	-	325
Communication	73	-	-	(14)	-	59
Total	9,215	159	(53)	(1,242)	-	8,079

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

Lease liabilities

Lease liabilities are presented in the statement of financial position as current and non-current liabilities. Refer to note 13.4.

The undiscounted maturity analysis of lease liabilities at 30 June is as follows:

at 30 June 2023	Minimum lease payments due								
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-25 years	Over 25 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease payments	866	778	742	732	741	3,143	5,519	9	12,530
Finance charges	(363)	(343)	(325)	(308)	(289)	(1,186)	(915)	-	(3,729)
Total	503	435	417	424	452	1,957	4,604	9	8,801

at 30 June 2022	Minimum lease payments due								
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-25 years	Over 25 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease payments	824	767	720	723	702	3,107	5,903	15	12,761
Finance charges	(366)	(347)	(330)	(313)	(296)	(1,221)	(1,087)	-	(3,960)
Total	458	420	390	410	406	1,886	4,816	15	8,801

Lease payments not recognised as a liability

The Corporation has elected not to recognise a lease liability for short-term leases (expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis as follows:

	2023 \$'000	2022 \$'000
Short term leases	-	-
Leases of low value assets	57	55
Total	57	55

16. Employee benefits

	2023 \$'000	2022 \$'000
Current		
Annual leave	10,553	10,148
Long service leave	11,516	10,958
Accrued days off	404	347
Defined benefit superannuation	358	496
Total current	22,831	21,949
Non-current		
Long service leave	1,954	2,678
Defined benefit superannuation	4,007	4,315
Total non-current	5,961	6,993
Total employee benefits	28,792	28,942

The employee benefits provision at 30 June 2023 included attributable on-costs and superannuation of \$4,292,737 (2022: \$4,138,516).

Defined Benefit superannuation plans

	Spirit Super		RBF		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Statement of financial position results as at 30 June – net liability/(asset)						
Current net liability/(asset)	-	-	358	496	358	496
Non-current net liability/(asset)	(1,202)	(1,011)	5,209	5,326	4,007	4,315
Total	(1,202)	(1,011)	5,567	5,822	4,365	4,811
	Spirit Super		RBF		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Movement in net defined benefit liability/asset						
Net defined benefit liability/(asset) at start of year	(1,011)	(219)	5,822	7,690	4,811	7,471
Defined benefit cost recognised in profit and loss	211	369	312	267	523	636
Defined benefit (gain)/cost (remeasurement) recognised in other comprehensive Income	(54)	(796)	35	(1,549)	(19)	(2,345)
Employer contributions	(348)	(365)	(602)	(586)	(950)	(951)
Net defined benefit liability/(asset) at end of year	(1,202)	(1,011)	5,567	5,822	4,365	4,811

Defined Benefit superannuation plans (continued)

	Spirit Super		RBF		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Reconciliation of fair value of scheme assets						
Fair value of plan assets at beginning of the year	14,142	14,220	1,598	1,803	15,740	16,023
Employer contributions	348	365	602	586	950	951
Contributions by plan participants	176	186	5	22	181	208
Taxes and expenses paid	(95)	(104)	-	(1)	(95)	(105)
Benefits paid	(1,754)	(437)	(766)	(715)	(2,520)	(1,152)
Expected return on plan assets (including interest income)	544	209	196	(97)	740	112
Expected assets at year end	13,361	14,439	1,635	1,598	14,996	16,037
Actuarial gain/(loss) on assets	598	(297)	-	-	598	(297)
Individual plan assets at year end	13,959	14,142	1,635	1,598	15,594	15,740
Actual return on plan assets	1,142	(88)	196	(97)	1,338	(185)

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

	Spirit Super		RBF		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Present value of the defined benefit obligations						
Present value of defined benefit obligations at beginning of the year	13,131	14,001	7,420	9,493	20,551	23,494
Current service cost	257	372	13	33	270	405
Interest cost	498	206	381	289	879	495
Contributions by plan participants	176	186	5	22	181	208
Taxes and expenses paid	(95)	(104)	-	(1)	(95)	(105)
Benefits paid	(1,754)	(437)	(766)	(715)	(2,520)	(1,152)
Expected defined benefit obligations at year end	12,213	14,224	7,053	9,121	19,266	23,345
Actuarial loss/(gain) on liabilities	544	(1,093)	149	(1,701)	693	(2,794)
Present value of defined benefit obligations at end of the year	12,757	13,131	7,202	7,420	19,959	20,551

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

Recognition and measurement

Wages, salaries, annual leave, long service leave, accrued days off and time in lieu

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

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

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

Superannuation

The Corporation makes contributions to two defined benefit superannuation plans, Spirit Super and the Retirement Benefits Fund (RBF).

Spirit Super and RBF are defined benefit funds where members receive benefits on ceasing employment that are (at least in part) calculated as a multiple of the member's final average salary. Benefits from the Spirit Super fund are paid as lump sums while RBF's benefits may be paid as lump

sums or as pensions. No new employees join either of these defined benefit funds.

As at 30 June 2023, the Corporation's actuaries (GM Actuaries Pty Ltd in the case of Spirit Super and Mercer (Australia) in the case of RBF) conducted a valuation of the Corporation's defined benefit superannuation liabilities. The difference between the value of these benefits and the market value of the assets for the relevant members determines the Corporation's superannuation liability (if fund liabilities exceed the assets) or asset (if fund assets exceed the liabilities).

The Corporation also makes superannuation contributions for a number of its employees to another Spirit Super sub-fund, the Spirit Super Defined Benefits Fund. The Spirit Super Defined Benefits Fund is a multi-employer sponsored plan, where the fund's assets and liabilities are pooled and are not allocated by employer. The actuary is therefore unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 34 of AASB 119 *Employee Benefits*, the Corporation does not use defined benefit accounting for these contributions.

The Corporation also contributes to a number of complying accumulated benefit superannuation funds in accordance with the *Superannuation Guarantee (Administration) Act 1992*. Contributions to accumulation funds are expensed as the contributions are paid or become payable. The Corporation has no ongoing responsibility to fund any deficiencies that may occur in those funds.

17. Compensation of key management personnel

	2023 \$	2022 \$
Directors		
Short term	518,931	495,233
Post-employment (superannuation)	54,489	49,524
Total directors	573,420	544,757
Other key management personnel		
Short term ¹	2,596,868	2,810,420
Movement in accrued leave	4,394	(32,515)
Post-employment (superannuation)	219,978	214,405
Total other key management personnel	2,821,240	2,992,310
Total compensation of key management personnel	3,394,660	3,537,067

¹ Short term benefits includes base salary and where applicable vehicle allowances.

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

18. Financial instruments

18.1 Managing financial risk

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

18.2 Financial assets and financial liabilities

AASB 9 *Financial Instruments* classifies financial assets and liabilities by the Corporation's business model for holding the particular asset and its contractual cash flows.

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

Financial instruments	Notes	Classification	Carrying amount at 30 June 2023 \$'000	Carrying amount at 30 June 2022 \$'000
Financial assets				
Cash and cash equivalents	9.1	Amortised cost	3,445	2,900
Contractual receivables	9.2	Amortised cost	37,360	34,034
Total			40,805	36,934
Financial liabilities				
Payables	13.1	Amortised cost	52,254	48,115
Borrowings	13.2	Amortised cost	784,378	734,911
Total			836,632	783,026

Recognition and measurement

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

Financial assets

Financial assets are classified as cash and cash equivalents and receivables. The Corporation does not currently hold, nor is it likely to hold, any financial assets classified 'at fair value through the Statement of Comprehensive

Income' or 'held-to-maturity' investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a debt instrument and 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

The Corporation makes use of a simplified approach in accounting for trade and other receivables, and records expected credit loss at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Corporation used its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Impairment of receivables is calculated as a percentage of overdue receivables balances at year end after taking into account specific customer segments with reference to future payment likelihood. Debts are written off when collection is no longer probable. Impairment losses are recognised in the Statement of Comprehensive Income. Subsequent recoveries of amounts previously written off are credited against the same line item.

Financial liabilities

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

Other financial liabilities

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

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

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

18.3 Interest rate risk

The objectives of the Corporation's interest rate risk management policy are to contain the potential adverse financial impact from unfavourable movements in interest rates, predominantly associated with interest bearing liabilities, and to capture the potential for reducing costs by management of the Corporation's debt. The Corporation's interest rate risk is managed by setting borrowings with terms and maturity structures which reflect the medium- and longer-term capital requirements and tariff structures of the Corporation. The aim of interest rate risk management is to minimise the longer-term cost of borrowings by adopting debt portfolio maturities and to spread debt between fixed and floating instruments. Debt is sourced from TASCORP and is managed within a range of Board-approved limits, with debt levels and interest being monitored regularly. The Corporation has not engaged hedging as part of its financial risk management strategy.

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

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

at 30 June 2023	Variable interest rate \$'000	Fixed interest rate maturing in			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average \$'000
		<1 year \$'000	1-5 years \$'000	>5 years \$'000			
Financial assets							
Cash at bank	3,445	-	-	-	-	3,445	4.35%
Contractual receivables	-	-	-	-	37,360	37,360	
Total financial assets	3,445	-	-	-	37,360	40,805	
Financial liabilities							
Payables	-	-	-	-	(52,254)	(52,254)	
Borrowings	(31,500)	(60,130)	(340,550)	(352,198)	-	(784,378)	3.51%
Total financial liabilities	(31,500)	(60,130)	(340,550)	(352,198)	(52,254)	(836,632)	
Net financial (liabilities) assets	(28,055)	(60,130)	(340,550)	(352,198)	(14,894)	(795,827)	
at 30 June 2022							
at 30 June 2022	Variable interest rate \$'000	Fixed interest rate maturing in			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average \$'000
		<1 year \$'000	1-5 years \$'000	>5 years \$'000			
Financial assets							
Cash at bank	2,900	-	-	-	-	2,900	1.10%
Contractual receivables	-	-	-	-	34,034	34,034	
Total financial assets	2,900	-	-	-	34,034	36,934	
Financial liabilities							
Payables	-	-	-	-	(48,115)	(48,115)	
Borrowings	(41,000)	(61,032)	(270,538)	(362,341)	-	(734,911)	3.17%
Total financial liabilities	(41,000)	(61,032)	(270,538)	(362,341)	(48,115)	(783,026)	
Net financial (liabilities) assets	(38,100)	(61,032)	(270,538)	(362,341)	(14,081)	(746,092)	

The table above highlights that the Corporation's total exposure to variable interest rates at 30 June 2023 was a net liability of \$28,055,334 (2021-22: \$38,100,337).

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 net profit and equity of a 2.5 per cent increase and a 2.5 per cent decrease in interest rates (2022: 1.5 per cent).

	30 June 2023		30 June 2022	
	Net profit higher/ (lower) 2.5% increase \$'000	Net profit higher/ (lower) 2.5% decrease \$'000	Net profit higher/ (lower) 1.5% increase \$'000	Net profit higher/ (lower) 1.5% decrease \$'000
Interest rate sensitivity				
Cash and cash equivalents	86	(86)	44	(44)
Interest-bearing liabilities - variable	(1,306)	1,306	(722)	722
Total	(1,220)	1,220	(678)	678

18.4 Foreign exchange risk

The Corporation is exposed to an insignificant foreign currency risk relating to purchases of supplies and consumables from overseas. While there is a limited amount of purchases denominated in foreign currencies, the risk is further reduced by a short-term timeframe between commitment and settlement.

If a significant foreign currency exposure arises, a Board-approved Treasury Management Policy authorises the use of derivative instruments to limit the effect of foreign currency movements. The Board received independent specialist advice in developing the adopted Treasury Management Policy.

The Corporation has entered into several foreign exchange hedging contracts to reduce its risk exposure to foreign currency movements in the procurement of overseas equipment for the Bryn Estyn WTP capital upgrade. The approved hedging strategy for projected exposures to the USD and Euro incorporated a combination of forward exchange contracts (FEC) and options, and have been treated as cash flow hedges.

A realised foreign exchange gain in the current year of \$194,348 (2021-22: loss \$147,605) has been accounted for as a non-financial asset, as it is considered capital in nature given it is directly attributable to the Bryn Estyn WTP capital upgrade.

18.5 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 18.2, the Corporation's maximum exposure to credit risk at reporting date was \$40,798,899 (2021-22: \$36,934,150).

Credit risk is measured at fair value. All receivable balances are monitored on an ongoing basis. Trade receivables consist of a large number of customers and industries over the region. The Corporation does not hold any collateral over any trade receivable.

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

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

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

	30 June 2023		30 June 2022	
	Gross \$'000	Impaired \$'000	Gross \$'000	Impaired \$'000
Receivables				
Not past due	30,384	(1,965)	26,982	(2,374)
0 – 30 days	3,804	(516)	4,161	(539)
31 – 60 days	856	(189)	1,182	(233)
61 – 90 days	979	(247)	891	(222)
91 days and over	8,307	(4,053)	8,733	(4,547)
Total	44,330	(6,970)	41,949	(7,915)

18.6 Liquidity risk

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

While the Corporation has a negative working capital position of \$122,520,545 at 30 June 2023, its operating cash flows are strong. The deficiency in working capital is due to the

existence of current borrowings of \$91,630,271 with short-term maturities. These debt maturities will be refinanced in line with the Corporation's Treasury Management Policy which seeks to spread interest rate risk by having approximately 1/10th of the portfolio repricing on an annual basis. If the current borrowings are excluded, the working capital deficiency reduces to \$30,890,274.

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

	3 months or less \$'000	3 – 12 months \$'000	1 – 2 years \$'000	2 – 5 years \$'000	> 5 years \$'000	Total \$'000
at 30 June 2023						
Payables	52,254	-	-	-	-	52,254
Borrowings	51,581	65,960	94,111	324,657	394,471	930,780
Total	103,835	65,960	94,111	324,657	394,471	983,034

	3 months or less \$'000	3 – 12 months \$'000	1 – 2 years \$'000	2 – 5 years \$'000	> 5 years \$'000	Total \$'000
at 30 June 2022						
Payables	48,115	-	-	-	-	48,115
Borrowings	48,611	75,989	80,398	258,447	375,715	839,160
Total	96,726	75,989	80,398	258,447	375,715	887,275

18.7 Net fair value

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 2023. The fair value of financial assets and financial liabilities at year end were:

Category	30 June 2023		30 June 2022	
	Total carrying amount per the statement of financial position \$'000	Aggregate net fair value \$'000	Total carrying amount per the statement of financial position \$'000	Aggregate net fair value \$'000
Financial assets				
Cash at bank	3,445	3,445	2,900	2,900
Receivables	37,360	37,360	34,034	34,034
Total financial assets	40,805	40,805	36,934	36,934
Financial liabilities				
Payables	52,254	52,254	48,115	48,115
Borrowings	784,378	743,919	734,911	698,012
Total financial liabilities	836,632	796,173	783,026	746,127

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 2023. Borrowings held until maturity are paid at the carrying amount;

Derivative financial assets – the carrying amount is at fair value.

18.8 Capital management policy

The Corporation has established a Capital Expenditure Program necessary to achieve business objectives as outlined within its Long Term Strategic Plan (2021-22 to 2029-30). The Corporation manages capital to achieve those objectives within financially prudent gearing thresholds while being mindful of providing acceptable returns to shareholders, where possible.

19. Related party disclosures

19.1 Director and key management personnel transactions

A list of Directors and senior executives who held positions with the Corporation during the financial year ended 30 June 2023 and up to the date of this report, is provided in the Directors' Report on page 4.

There were no loans made by the Corporation to any Director or key management personnel, or their related parties during the financial year.

Some Directors and key management personnel, or their related parties, transacted with the Corporation in the reporting period as owners of properties to which the Corporation provides water and sewerage services. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to other customers.

There were no related party transactions requiring disclosure.

20. Commitments

20.1 Capital commitments

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

	2023 \$'000	2022 \$'000
Payments within 1 year	28,491	21,980
Payments 1 – 5 years	4,500	1,035
Total capital commitments	32,991	23,015
Reconciliation of capital commitments		
Building and infrastructure	27,172	20,710
Plant and equipment	3,643	874
Intangibles	2,176	1,431
Total capital commitments	32,991	23,015

20.2 Lessor income agreements

	2023 \$'000	2022 \$'000
Lease income recognised during the period	547	541
Operating lease commitments		
Income within 1 year	462	477
Income 1 – 5 years	872	1,168
Income longer than 5 years	832	1,026
Total lease income commitments	2,166	2,671

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

21. Contingent assets/liabilities

From time to time, the Corporation is a party to various legal actions, the outcome of which cannot be predicted with certainty. The Corporation has given consideration to such matters which are or may be subject to claims, penalties and litigation at year end and is of the opinion that any liabilities arising over and above those provided for in the Financial Report from such action would not have a material effect on the Corporation's financial performance or position in future years. Other than as disclosed in this Financial Report, the directors are not aware of any other contingent liabilities or assets that could have a material effect on the financial statements.

22. Remuneration of auditors

	2023 \$'000	2022 \$'000
Financial Statement audit services		
External statutory audit fee	138	134
Internal audit fee	76	132
Total	214	266

The logo for Taswater, featuring the word "Taswater" in a bold, white, sans-serif font. A thin white arc is positioned above the letters 'a' and 's'.

A decade of making a
difference for Tasmania

© TasWater 2023
ABN 47 162 220 653
E: enquiries@taswater.com.au
P: 13 6992
GPO Box 1393,
Hobart, Tasmania 7001
taswater.com.au