WORKING HARDER

24

HOURS A DAY

07

DAYS A WEEK

365

DAYS A YEAR

2019-20 Annual Report

Contents

Welcome

About TasWater

TasWater is an incorporated company providing water and sewerage services to homes and businesses across Tasmania. We source, treat and deliver reliable, quality water to our customers. We also collect, transport and treat sewage and safely return wastewater to the environment.

From its commencement on 1 July 2013, TasWater has been owned by Tasmania's 29 councils, with the State Government also becoming a shareholder in early 2019. Our council owners receive returns through dividends.

As at 30 June 2020, our workforce comprised 869 dedicated employees distributed across the South, North and North-West of Tasmania.

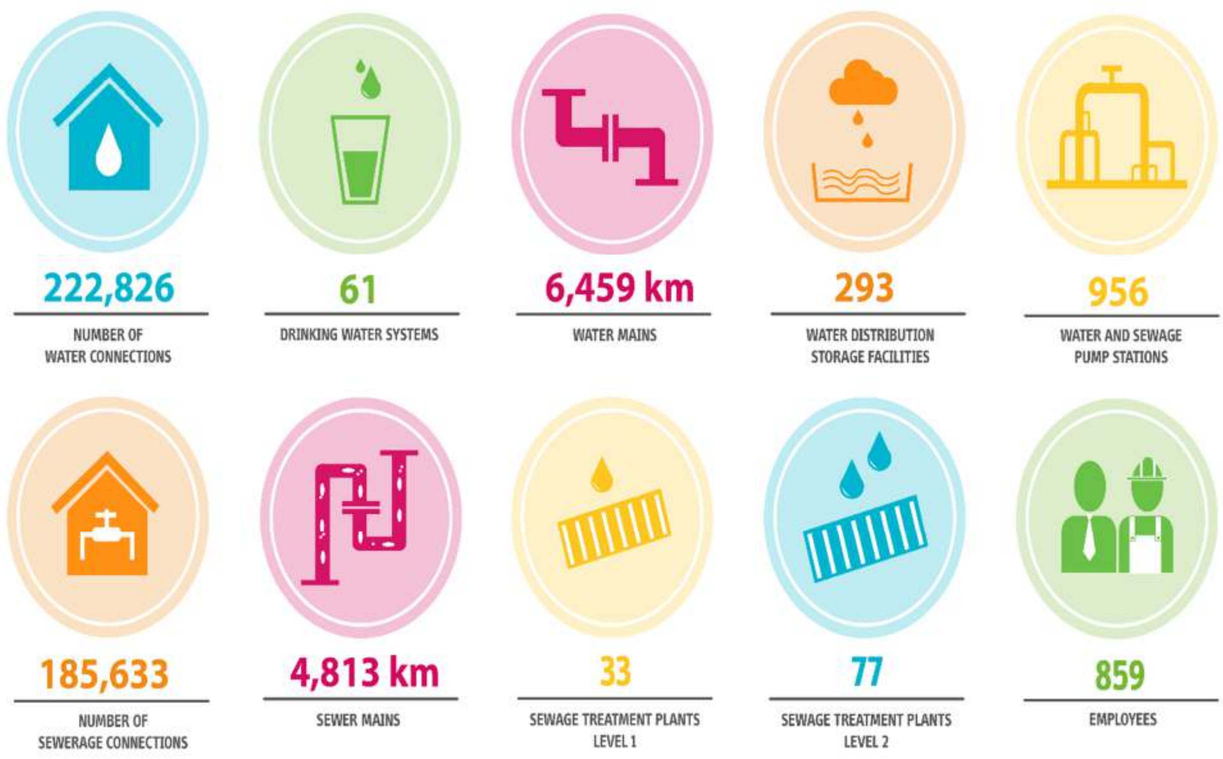
We operate under a range of legislative and regulatory instruments, including the:

- *Water and Sewerage Industry Act 2008*
- *Water and Sewerage Corporation Act 2012*
- *Corporations Act 2001*
- *Environmental Management and Pollution Control Act 1994*
- *Public Health Act 1997*
- *Land Use Planning and Approvals Act 1993*
- *Water Management Act 1999*
- TasWater's Constitution
- Shareholders' Letter of Expectations.

The key regulators of TasWater are:

- The Tasmanian Economic Regulator (TER)
- The Environment Protection Authority (EPA)
- The Department of Health (DoH)
- The Department of Primary Industries, Parks, Water and Environment (DPIPWE).

Business snapshot



Information as of July 2020

Strategic vision

Our vision is to be *"a trusted and respected provider of essential services that is making a positive difference to Tasmania"*.

This vision reflects our strong desire to focus on what really matters for our customers, owners and the community who depend on us for essential services.

To deliver this vision, we are focused on delivering four key customer promises that are outlined in our Long-Term Strategic Plan 2018-2037:

- We promise to deliver a positive customer experience to you
- We promise to give you value for money
- We promise to provide you with safe drinking water and responsibly manage your sewage
- We promise to build culture and skills for the long-term benefit of Tasmania.

Owners' Representatives Group

The Owners' Representatives Group (ORG) comprises one representative from each of our 30 owners. The functions, duties and responsibilities of the ORG are outlined in TasWater's Constitution and the Owners' Representatives Group Charter.

Our owners and representatives during the year were:

Owner name	Representative
Break O'Day Council	Mayor Mick Tucker
Brighton Council	Mayor Tony Foster AM OAM JP
Burnie City Council	Mayor Steven Kons
Central Coast Council	Mayor Jan Bonde
Central Highlands Council	Deputy Mayor Jim Allwright
Circular Head Council	Mayor Daryl Quilliam
Clarence City Council	Mayor Doug Chipman[1]
Derwent Valley Council	Mayor Ben Shaw
Devonport City Council	Mayor Councillor Annette Rockliff
Dorset Council	Mayor Greg Howard
Flinders Council	Councillor Peter Rhodes
George Town Council	Mayor Greg Kieser
Glamorgan Spring Bay Council	Councillor Annie Browning
Glenorchy City Council	Mayor Kristie Johnston
Hobart City Council	Alderman Tanya Denison (part year) Councillor Will Coats (part year)
Huon Valley Council	Mayor Bec Enders
Kentish Council	Mayor Tim Wilson
Kingborough Council	Mayor Dean Winter
King Island Council	Councillor Jim Cooper
Latrobe Council	Mayor Peter Freshney
Launceston City Council	Mayor Alderman Albert van Zetten
Meander Valley Council	Mayor Wayne Johnston
Northern Midlands Council	Mayor Mary Knowles OAM
Sorell Council	Mayor Kerry Vincent
Southern Midlands Council	Councillor Tony Bisdee OAM
Tasman Council	Mayor Kelly Spaulding
Waratah-Wynyard Council	Mayor Robby Walsh
West Coast Council	Mayor Phil Vickers
West Tamar Council	Councillor Richard Ireland[2]
The Crown in Right of the State of Tasmania	Tony Ferrall, Secretary – Department of Treasury and Finance

[1] Chief Owners' Representative

[2] Deputy Chief Owners' Representative (from 13 November 2019)

2019-20 in Review

From the Chairman and CEO

On behalf of the Board and management, we are pleased to present TasWater's 2019-20 Annual Report

Dr Stephen Gumley AO
Chairman

Mr Michael Brewster
Chief Executive Officer

Our vision is to be *"a trusted and respected provider of essential services that is making a positive difference to Tasmania"*. We made strong progress towards this vision over the last 12 months despite facing some unprecedented challenges.

The outbreak of the coronavirus (COVID-19) pandemic across Australia in early 2020 had, and will continue to have, a significant impact on the Tasmanian community.

To support our customers during this difficult time, we introduced a range of measures including a small business rebate and the expansion of our Customer Support Program. We have also frozen our prices for the 2020-21 financial year.

The pandemic also resulted in a major disruption to the way we work and deliver our services. This included the closure of our shopfronts, suspension of meter reading, deferral of our training programs and the transition of our workforce to working from home arrangements.

Prior to COVID-19 emerging, we were also required to respond to ongoing low rainfall and above-average temperatures by putting water restrictions in place across Tasmania to ensure water security over summer months.

Despite these challenges, we have celebrated several major achievements in the past 12 months that have improved services for customers, reduced our environmental impact and provided economic benefit for the state.

In particular, our customers continue to tell us they are satisfied with the customer service we provide them, with 97 per cent of our customers expressing satisfaction with our Customer Service Team.

Pleasingly, we also recorded a 57 per cent reduction in water and sewerage complaints as a result of our more proactive approach in this area.

These results are testament to the professionalism and adaptability of our frontline staff, who continued to perform to a very high level during very challenging circumstances.

From an infrastructure perspective, the new Burnie-Somerset pipeline is enabling Cam to receive water from the Burnie Water Treatment Plant (WTP), eliminating the cost of upgrading the ageing East Cam WTP.

The successful execution of our Kingborough Sewerage Strategy has also improved water quality, while the Ti Tree Bend biosolids upgrade has minimised odours for our neighbours.

The King Island drinking water upgrade has been completed and is providing safe and reliable drinking water in support of the island's planned growth.

We have also begun upgrade works at our largest WTP, Bryn Estyn, which will increase water security and service the expected population growth in southern Tasmania.

These projects are examples of our ongoing commitment to deliver to our customers and the Tasmanian community what they have told us is important to them – and demonstrate that we are keeping our promises and making a positive difference.

Over the last 12 months, we also continued to embed the Capital Delivery Office (CDO) within our operating model. Whilst we have experienced some initial challenges, we expect to see the steady delivery of projects over coming years.

Disappointingly, we did not meet our headline health and safety targets for the financial year. Our Total Recordable Injury Frequency Rate (TRIFR) increased from 16.5 to 18.2 and our Lost Time Injury Frequency Rate increased from 2.4 to 2.9.

We are determined to address these results in 2020-21 and have escalated both our focus and resourcing in this area.

From a financial perspective, our 2019-20 results, like many businesses, were heavily impacted by COVID-19 in the second half of the financial year.

Our underlying result for 2019-20 was a loss of $15.8 million, largely due to the impacts of COVID-19 and increased depreciation charges. Following a revaluation of our infrastructure assets, which was required under the Australian Accounting Standards, we recorded a statutory loss of $199.2 million.

The non-cash revaluation adjustment was primarily driven by the application of a higher discount rate within the asset valuation model and, to a lesser extent, by lower forecasted cashflows arising from the impact of COVID-19 in future financial years.

As a result of the financial impact of COVID-19, we reduced distributions to owners by $10 million.

As we move into the new financial year, we expect to face ongoing impacts from COVID-19 as we transition our workforce back to site and adapt to social distancing requirements. The financial impact of our customer support measures will also affect the pace that we are able to deliver on our goals.

Beyond COVID-19, we must continue to monitor and respond to our emerging strategic challenges to ensure we remain relevant and sustainable.

Firstly, we must respond to the changing needs and expectations of our customers and their desire to manage their interactions with us in a way that is convenient for them.

This will include transforming our business to be a contemporary digital water utility with the capability to seek out and leverage emerging digital technologies to deliver our customer promises faster and more efficiently. It also requires having a culture that embraces innovation and change, challenges thinking and continually looks for ways to operate in a more efficient and effective manner.

Secondly, the impacts of climate change continue to be felt globally and we can expect that this will continue to present challenges for our industry.

Of note, we expect to experience more pressure on our existing water supplies over coming years, particularly when water is scarce over the summer months.

We may also see an increase in the frequency and magnitude of extreme weather events, such as bushfires and floods. Recognising the potential financial impact of these events on our business, we are continuing to explore how we can provide greater disclosure of these risks in our financial reporting.

Thirdly, the global demand for skills is high in the areas of science, data and analytics, technology, engineering and mathematics, and skill areas such as adaptability, critical thinking, industry-specific knowledge and leadership are also in demand. We need to ensure our workforce planning attracts and retains the expertise we require to respond to our changing operating environment.

As we close out 2019-20, we are extremely proud of the resilience and adaptability displayed by our staff in the last 12 months. We also appreciated the ongoing support of our owners throughout this challenging year.

Finally, we would like to thank and recognise outgoing Director Peter Lewinsky and welcome new Directors Joanne Pearson and Kevin Young, returning our Board to its full complement of seven members.

Responding to COVID-19

The impact of COVID-19 on the Tasmanian community and businesses escalated quickly following the first confirmed case of COVID-19 in the state on 2 March 2020.

As the number of cases grew and restrictions were imposed across the State, we responded swiftly to ensure the safety of our people and customers while continuing to deliver our services.

By 30 March 2020, we had closed our shopfronts, suspended face-to-face contact (including meter reading) and requested all staff to work from home. We had also provided additional vehicles to support our Service Delivery teams who continued to operate in the field.

To support our customers, we provided immediate relief through a rebate to eligible small business customers for regular bills issued in the April to June 2020 quarter and the extension of our Customer Support Program. Recognising that our customers will continue to be impacted by the pandemic, we have also frozen our prices for 2020-21.

Despite the major disruption to our operations, we maintained strong levels of customer service and continued to largely deliver on our customer promises.

The willingness of our people to adapt and innovate during this time saw us identify a range of new digital delivery methods and technologies to improve customer outcomes and employee satisfaction. We also saw positive stories emerge through process improvements, virtual collaboration and new ways of working.

As at 30 June 2020, we had undertaken a Return to Site pilot program and were in the process of commencing a staged return to sites, taking us into a new way of working and adhering to COVID-19 guidelines.

2 MARCH 2020 *First case of COVID-19 confirmed in Tasmania*

11 MARCH 2020 *World Health Organization declares a global pandemic*

17 MARCH 2020 *Tasmanian Government announces a Public Health Emergency*

19 MARCH 2020 *TasWater shopfronts closed and face-to-face contact suspended (including meter reading)*

25 MARCH 2020 *Service Delivery Operators requested to work from home*

30 MARCH 2020 *All office-based staff requested to work from home as Tasmania reports first COVID-19 death*

13 APRIL 2020 *North West Tasmania enters 14-day lockdown*

4 MAY 2020 *Business Recovery Team begins to coordinate our operations beyond COVID-19*

8 MAY 2020 *Tasmanian Government outlines a gradual approach to easing restrictions*

18 MAY 2020 *Stage One easing of restrictions begins with gatherings increased to 10 people*

5 JUNE 2020 *Stage Two easing of restrictions commences earlier than planned*

12 JUNE 2020 *No active cases in Tasmania and no new cases reported for 27 consecutive days*

17 JUNE 2020 *Further restrictions eased earlier than planned*

22 JUNE 2020 *Return-to-site pilot commences at approximately 20 per cent of normal capacity*

Maintaining a secure water supply

Since early 2017, the majority of Tasmania has continued to experience below average rainfall, with some parts of the state experiencing the lowest rainfall on record.

This trend continued throughout 2019, during which time Tasmania also experienced above-average temperatures. Some regions, such as Hobart and the East Coast, experienced their highest average temperatures on record during the year.

Coupled with increased tourism and high occupancy rates over the peak demand period, these conditions left a number of our supplies stressed leading into the summer of 2019-20 and required water restrictions to be imposed across the state throughout the period from December 2019 to May 2020.

To support and inform our customers during this period, we delivered a state-wide water conservation campaign to raise awareness about the value of water and the need to conserve water.

This included advertising on television, and in social media and newspapers as well as ongoing engagement with our owners and customers.

The Tasmanian community embraced the need to conserve water during this period and we observed a reduction in non-essential water usage across the state, particularly in those areas where Stage 2 and 3 restrictions were in place.

To ensure that we can continue to manage our water resource into the future, a number of initiatives are currently underway including development of a Water Surety Strategy and improvements to our monitoring and modelling capability.

18 DECEMBER 2019
Stage 2 restrictions introduced for Coles Bay

20 DECEMBER 2019
Stage 1 restrictions introduced for the greater Hobart region and Bridport

23 DECEMBER 2019
Stage 1 restrictions implemented at Scamander as a result of low flows in the Scamander River

3 JANUARY 2020
Restrictions at Scamander increased to Stage 3 as daily flows in the Scamander River continued to reduce

20 JANUARY 2020
Stage 1 restrictions introduced statewide (excluding the West Coast, King Island, Circular Head and Huon Valley Local Government Areas. Stage 2 restrictions introduced in Bridport, Oatlands, Swansea, Orford, Triabunna and Ulverstone.

6 MARCH 2020
Restrictions at Scamander downgraded to Stage 2 following periods of rainfall

31 MARCH 2020
Restrictions removed for the majority of Tasmania. Stage 2 restrictions continue for Coles Bay, Oatlands and Whitemark

7 APRIL 2020
Restrictions conclude at Whitemark

1 MAY 2020
Restrictions lifted four weeks earlier than expected at Coles Bay and Oatlands following rainfall during April 2020

Customers and Community

Customers and Community

Key performance indicators

KPI	2019-20 Result	2019-20 Target	2018-19 Result
Customer Satisfaction with Customer Service Team	97%	90%	97%
Calls answered within 30 seconds	83%	85%	87%
First Point Resolution	92%	90%	93%
Complaints per 1,000 connected properties	5.4	11.0	12.6
Complaints processed within 10 business days	98%	90%	97%
Development Applications processed within 14 days	99%	98%	98%
Building and Plumbing Applications processed within 14 days	97%	98%	97%

Customer service outcomes

During 2019-20, our Customer Service team continued to deliver strong customer outcomes despite the challenges presented by COVID-19.

For the full financial year, we responded to 168,291 customer calls, an increase of 14,425 compared to the prior year. As a result of this increase, for which there was no identifiable reason, we saw a slight reduction in the number of calls answered within 30 seconds from 87 per cent in 2018-19 to 83 per cent this financial year.

Pleasingly, our ongoing focus on resolving customer queries at the first point of interaction resulted in First Point Resolution for 92 per cent of customer calls, exceeding our full-year target of 90 per cent. Overall, customer satisfaction with our Customer Service team was 97 per cent, exceeding our target of 90 per cent.

The post-call surveys with our customers that were implemented in late 2018 have proven to be a successful feedback tool, with over 21,000 of our customers choosing to participate in these surveys over the course of the financial year.

Complaints management

A more proactive approach in dealing with customer concerns at the first point of contact resulted in a major reduction in water and sewerage complaints over the last 12 months.

The total number of complaints for 2019-20 was 1,138, a reduction of 57 per cent from the 2,648 complaints received in the previous financial year. This included a 73 per cent reduction in our major complaint category of water quality complaints. The number of reportable complaints to the Tasmanian Ombudsman reduced by 70 per cent.

Of the complaints we did receive, 98 per cent were processed within 10 business days, compared to our target of 90 per cent.

To ensure that we continue to perform strongly in this area, we have developed a new complaints management system that will be implemented in 2020-21. This system will deliver further improvements in our recording, managing and reporting of complaints and deliver a better experience for our customers.

As testament to our ongoing improvements in customer service outcomes, we received recognition in the Water Services Association Australia (WSAA) national market research as one of the big improvers in the categories of Value for Money, Community Reputation, Likely to Recommend and Overall Satisfaction.

Customer billing

We aim to issue customer accounts at the same time each quarter and more than 99 per cent of our bills were issued on time in the last 12 months.

As a result of restrictions associated with COVID-19, we ceased reading customer meters from 19 March 2020. As a result, approximately 24 per cent of our meter reads for the financial year were estimated reads and we provided our customers with a commitment to review these bills if they were of concern.

As part of our ongoing efforts to reduce costs and increase convenience of payment, we have continued to encourage customers to adopt alternative payment channels.

During 2019-20, almost 22 per cent of our customers' bills were issued via either email or BPAY, a slight increase from 2018-19. As at 30 June 2020, 8,549 customers were settling their bill via direct debit arrangements.

Customer Support Program

As part of our response to COVID-19, we expanded our Customer Support Program by:

- Offering bill payment support to all residential customers including those who own investment properties or vacant land
- Helping businesses, not for profit organisations and eligible sporting clubs to extend payment terms based on individual needs for up to three years
- Providing the ability for some business customers to defer trade waste payments for six months.

In support of the extension, we reallocated some of our staff to manage increased call volumes through the Customer Support Program and also provided additional training in this area.

Customer communications

Consistent with our customer promises, our communication efforts have continued to focus on making it easier for customers to interact with us and ensuring our communications are timely, relevant and actionable.

Over the last twelve months, we published regular community updates in metropolitan daily papers, as well as local stories tailored for regional media outlets. We also increased our use of social media channels to make it easier for our customers to get the information they need when they want, especially when there may be planned or unplanned interruptions to their services.

To support our customers, we increased our customer communications during the second half of the financial year in response to both our water restrictions period and COVID-19.

Operations Control Centre

Our Operations Control Centre (OCC) is staffed 24 hours a day and offers full network support, proactive monitoring and control, outage troubleshooting and management, dispatch services, escalation support, and asset performance assessment.

Over the last 12 months, we continued to focus on the efficient delivery of services for our customers to realise further improvements in the dispatch and scheduling of work across Tasmania.

As a result of our efforts, we were able to largely continue to meet the priority response timeframes set by the Tasmanian Economic Regulator during the period of COVID-19 restrictions.

In addition, a pilot program initiated to increase the quality of interactions with our customers has centralised dedicated fault and emergency officers within the OCC. This means we can respond with increased speed, accuracy and efficiency, including to regulated faults such as sewer overflows and blockages.

Community engagement

During 2019-20, we continued to engage proactively with our customers and the Tasmanian community to support better outcomes for both the community and TasWater.

Highlights of our community engagement for the year include:

- Engaging with industry and customers to better understand the impact of COVID-19 and inform the expansion of our Customer Support Program
- Supporting or attending 28 key community events across the state
- Implementing a portable water fountain program for community groups to utilise free-of-charge at their events
- Capturing feedback from a number of customers and community groups for the development of our proposed Price and Services Plan 4
- Continuing our graffiti reduction and public art program
- Engaging with the Tasmanian community on major capital works projects as part of our plan to upgrade and improve our water and sewerage infrastructure.

Trade waste customers

We have continued to support our trade waste customers over the last 12 months to help minimise the impact of trade waste on our infrastructure and the environment.

This included continuing the support program under which customers can borrow 100 per cent of the cost of implementing new infrastructure up to a total of $60,000 and repay it free of interest over a four-year period. As at 30 June 2020, 62 customers have used this program, with an average investment cost of $12,588.

We also successfully established a Trade Waste Hotline to assist our trade waste customers with enquiries and concerns.

Water and Environment

Water and Environment

Key performance indicators

KPI	2019-20 Actual	2019-20 Target	2018-19 Actual
Percentage of customers with access to safe drinking water	100%	100%	100%
Percentage of compliant fluoride systems	85%	97%	95%
Compliant volume of treated sewage (EPA measure)	91%	89%	88%
Number of dams above the Limit of Tolerability	4	4	7
Dam Safety non-compliances rated serious	0	0	1

Drinking water quality

During 2019-20, we captured, stored, treated and transported approximately 59 billion litres of drinking water to more than 212,000 homes and businesses across Tasmania.

For the second year in a row, we achieved full microbiological compliance with the Tasmanian Drinking Water Quality Guidelines, meaning that all Tasmanian customers had access to safe drinking water as at 30 June 2020.

As part of our ongoing efforts to improve drinking water quality across the State, we delivered the following key projects during the financial year:

- Completion of a new water treatment plant (WTP) at Grassy to supply the townships of Grassy and Currie on King Island
- Construction of a new pipeline to supply the Somerset and Wynyard areas from the Pet River system (Burnie) and enable the Cam River WTP to be decommissioned
- Increased treatment of drinking water at the Adventure Bay WTP
- Installation of granular-activated carbon filters at the Coles Bay WTP to help with the removal of organic carbon and taste and odour compounds
- Commencement of upgrade works at our largest WTP, Bryn Estyn.

In relation to fluoride compliance, we experienced a number of operational issues across several systems over the last 12 months that have resulted in fluoride dosing being offline for periods of time. As a result, we did not meet our target of 97 per cent for this metric.

We have identified a number of actions aimed at delivering improvement in this area, including infrastructure fixes that will be considered as part of the prioritisation of our overall capital program.

Water infrastructure improvements

As a result of the delivery of our Water Systems Optimisation Program we have continued to see improvements in the performance and risk management capability of our water treatment and distribution assets over the last 12 months.

In particular, an update to our water quality risk assessment methodology undertaken during 2019-20 showed that we have achieved a significant reduction in catchment risk at our WTPs since 2017, improving drinking water quality for our customers.

We have also experienced a large improvement in operational compliance and staff awareness relating to water safety through our ongoing focus on Critical and Operating Control Points compliance.

Sewerage infrastructure improvements

In December 2016, we signed a Memorandum of Understanding (MoU) with the Environmental Protection Authority (EPA) on a combined approach to improve our environmental performance for the following three years.

The primary objective of the MoU was to uplift effluent compliance at our Level 2 STPs through improvements targeted at our Big 13 (highest volume) and Top 20 (high environmental risk) sites.

The MoU concluded in December 2019. Over the three-year period of the MoU, we realised significant improvements in our compliance performance with effluent compliance increasing from 42 per cent to 65 per cent during this period against our internal compliance metric.

Now that the MoU has concluded, we are moving towards ensuring that the management and minimisation of environmental risk remains a key factor in the prioritisation of our projects. An environmental risk assessment for discharges to waterways is under review and will be incorporated into the prioritisation tool for our proposed Price and Services Plan 4.

Environmental reporting and performance

As at 30 June 2020, we owned and operated 110 Sewage Treatment Plants (STPs) located across Tasmania. This includes 33 Level 1 STPs, which are licensed by local councils, and a further 77 larger Level 2 STPs that are licensed by the EPA.

During 2019-20, we reduced the number of Level 2 STPs by rationalising the Margate and Electrona STPs to Blackmans Bay. We also commenced the upgrade of our Longford STP, which will bring a new treatment process to the site to improve treatment reliability and reduce our odour footprint. This new facility is due for completion in late 2021.

We have also continued to see improvements in treated effluent quality through process enhancements at our Level 2 STPs. In particular, improvements to the Cambridge STP will increase treatment performance and flows to the local recycled water schemes.

We complete weekly compliance sampling at the 13 largest Level 2 STPs and report annually to the EPA on our performance relating to sewage and environmental management. For 2019-20, our STP environmental compliance performance was 90.8 per cent for our Level 2 STPs compared to a target of 89 per cent.

Discharge limits

Since our formation in 2013, we have been working to better understand our impact on the environment from discharging treated effluent to waterways across the state.

We have now completed this work for the majority of our STP outfalls and are completing the final stage to determine low-risk environmental discharge limits for future upgrade planning.

Our focus over the last 12 months has been the second phase of north-west coast treatment plants which discharge to Bass Strait and completion of a baseline monitoring program at Port Cygnet to inform an outfall extension for the Cygnet STP.

Risk-based environmental limits for the Derwent River Estuary plants and Tamar Estuary plants have also been developed, with upgrade planning and staged improvements underway for many of these sites.

Biosolids

A new statewide biosolids handling contract has been in place since September 2018, with the aim of both improving biosolids handling and optimising transport costs.

In 2019-20, this program continued to benefit our customers and the Tasmanian community, with 99.7 per cent of the biosolids from our treatment plants beneficially reused for agriculture and composting, and only 0.3 per cent sent to landfill.

The sewage lagoon desludging program progressed in 2019-20 at Beaconsfield, Beauty Point, Port Sorell, Richmond and Turners Beach to improve the function of these lagoons.

A total of eight lagoons were desludged which saw over 2,215 tonnes of sludge removed.

Notices

Six Environmental Protection Notices (EPNs) were issued during the financial year with updated conditions and effluent compliance limits for the Fingal, Port Sorell, St Helens, Bridgewater, Bicheno, and Turners Beach STPs.

As part of the EPA's regulatory audits to assess compliance against EPN conditions, five audits were undertaken and detailed in our annual environmental report.

The EPA issued four environmental infringement notices (EINs) in the reporting year relating to three separate incidents. One EIN was issued in relation to a sewage network spill, one was issued after an incident of disinfection failed for a discharge and two were issued for a discharge of effluent following a loss of power at an STP.

Dam safety

We own more than 300 dams that are used for water supply, sewage treatment and effluent reuse.

To ensure our dams meet modern engineering standards and address legacy issues associated with their age, we remain focused on delivering a priority-improvement program that has been approved by the Dam Safety Regulator.

During 2019-20, we reduced the number of dams plotting above the Australian National Committee on Large Dams (ANCOLD) limit of tolerability (LoT) for societal risk from seven to four. Temporary risk mitigation measures remain in place for the four dams above the LoT.

Major dam safety management initiatives undertaken during 2019-20 include:

- Improvements to the flood warning systems at the Isandula and Blackmans No.2 Dams, which enabled both dams to be reduced below the LoT
- A maintenance program at the Upper Reservoir Dam to enhance its future safe performance, improve stormwater management and upgrade water outlet facilities
- Completion of the Swansea Dam upgrade, ensuring a reliable water source for the Swansea community and visitors to the area
- Safety works at the Waratah Dam to clear out and widen the spillway to ensure that inflows into the dam can be safely managed
- Upgrades at the Mikany Dam to guarantee water supply into the future and improve its flood capacity
- Completion of design and investigation works for the Henderson Dam upgrade on Flinders Island, which will provide Whitemark residents with improved drinking water security
- Implementation of measures to bring the Grey Mountain Dams 1 and 2 in the Huon Valley to an acceptable level of risk. Remediation and other finalisation works are planned for these sites over the next 18 months.

We have also continued to improve our dam safety governance through improvements and updates to our Dam Safety Management Strategy, Dam Safety Improvement Program and Dam Safety Management Plan.

People and Culture

People and Culture

Key performance indicators

KPI	2019-20 Result	2019-20 Target	2018-19 Result
Lost-Time Injury Frequency Rate	2.9	2.4	2.4
Total Recordable Injury Frequency Rate	18.2	8.0	16.5
Leadership Walks Undertaken	1,288	1,500	1,654
FTEs as at 30 June 2020	869	848	860
Employees with leave in excess of 40 days	161	140	128

Safety performance

At the end of the financial year, our 12-month rolling Lost Time Injury Frequency Rate (LTIFR) was 2.9, an increase of approximately 20 per cent from our 2018-19 result. Our Total Recordable Injury Frequency Rate (TRIFR) was 18.2.

We are disappointed with our health and safety performance over the last 12 months and will escalate our focus in this area in 2020-21, including reviewing our resourcing.

We have identified that over 80 per cent of the injuries experienced by our people are soft tissue injuries from manual and physical tasks. As such, our safety efforts will continue to focus on developing engineered solutions and redesigning work processes to reduce this risk exposure to tasks that can produce these types of injuries.

Five notifiable incidents were reported during 2019-20, one more than in the prior year.

Health and safety initiatives

Our goal is to achieve Zero Harm to our people, contractors and the community we serve by ensuring that we undertake our work safely and manage our contractors to the same standards of safety that we expect of our own employees.

Consistent with this focus, we joined the global campaign, Vision Zero, in December 2018 as a Zero Harm company.

During 2019-20, we continued our journey towards Zero Harm by formulating a new Health and Safety Improvement Plan 2019-24 that is aimed at delivering high quality and maintainable health and safety outcomes.

We made good progress in delivering our health and safety initiatives over the last 12 months. Highlights include:

- Implementing the Work Health and Safety Accountabilities Manual to increase ownership and involvement in health and safety and further integrate our values into the way we work
- Completing a Fatigue Management Risk Assessment to inform the development of a program aimed at reducing the risk of illness and injury associated with acute and chronic sleep deprivation
- Ongoing review and improvements to the management of hazardous manual handling tasks which were identified in the 2018 Manual Handling Risk Assessment
- Commencing the implementation of 256 corrective actions that will result in an immediate reduction of risk from observed unsafe conditions and practices
- Developing a Safety Risk Communication process aimed at increasing business engagement on safety risks and improving

decision making in recognising and responding to these risks

- Continued enhancement of our knowledge and understanding in the application of the Fatal Risk Control Standards across our business.

Blue Bus program

We are committed to moving to a more constructive organisational culture and started to roll-out the Blue Bus Revolution Program across the business during the last 12 months following a successful pilot in 2018-19.

While all employees were scheduled to have the opportunity to participate in the program by June 2020, approximately half our workforce had experienced the program at the time training was suspended in March 2020 as part of our response to COVID-19.

Our people have reported an overwhelmingly positive experience from participating in the program to date and lessons from the program have already been applied with positive effect to changing the way we work internally.

The remainder of our people are expected to complete the program over the next 12 months.

Internship program

This year, we ramped up our summer internship program with 13 interns participating in our 12-week paid program.

The program provides university students in their penultimate or final year of study with an opportunity to gain work experience across engineering, human resources and environmental science and obtain a valuable insight into our industry.

Steve Balcombe Scholarship

We celebrated a significant milestone this year with the 20th presentation of the Steve Balcombe Scholarship. The Scholarship is offered by TasWater to support a student studying in an area relevant to the water industry such as engineering, environmental science and earth science.

It honours the inaugural Chairman of Hobart Water, Steve Balcombe, who had a distinguished career in both the public and private sectors in Tasmania before his premature death in 2001.

The recipient of the Scholarship was Morgan Wye from Launceston, who has just completed year 12 at Launceston College and is enrolled to study engineering at the University of Tasmania.

Leadership development

During 2019-20, our people leaders have benefited from undertaking a Leader as Coach development program and the Human Synergistics Life Styles Inventory.

In February 2020, 150 of our people leaders attended our third People Leaders Forum, with the theme for the Forum being ‘Healthy and Well Leadership’.

Diversity and inclusion

This was our first year of working proactively towards a more diverse and inclusive organisation in accordance with our Diversity and Inclusion Strategy and implementation of initiatives in our three-year Diversity and Inclusion Action Plan.

As a result of our focus on gender diversity initiatives, we saw an increase in the number of women in leadership positions from 25 per cent to 31 per cent over the last 12 months.

During National Science Week, we supported efforts to increase the profile of women in STEM by creating resources to share with young women as well as having our team members present in schools to share their stories.

Two people with disabilities were provided an opportunity to shadow our business systems and customer service teams and we are continuing to work with disability service providers to understand how we can partner in the future to provide recruitment options where there is an opportunity.

Recognition

The fifth year of our Splash reward and recognition program saw six individuals or teams receive Silver Splash awards for going above and beyond in helping our business or as representatives of TasWater in the wider community.

In October 2019, we also held the annual graduation presentation ceremony at the Tailrace Centre in Launceston to celebrate 33 members of our staff and their families who received Vocational Education and Training (VET) qualifications.

These qualifications include the Diploma of Project Management; Certificate III in Water, Wastewater and Networks; Diploma of Leadership and Management and Certificate IV in Business.

The highlight of this year's ceremony was that all course instructors were available to present certificates to graduates.

As at 30 June 2020, we had 86 employees working towards a qualification.

Commercial and Economic

Commercial and Economic

Key performance indicators

KPI	2019-20 Actual	2019-20 Target	2018-19 Actual
Adjusted Net Profit after Tax	$15.0M	$52.0M	$41.3M
Capital Expenditure	$128.8M	$143.5M	$130.0M
Productivity Savings	$4.1M	$4.5M	$4.5M
Number of innovative ideas implemented	13	12	9

Financial results

The Corporation reported a loss of $199,195,550 for the year ended 30 June 2020 (2019: loss after tax $247,529,402). The 2020 underlying result was a loss of $15,829,823, excluding contributed asset revenue and the impact of the revaluation on the Corporation's infrastructure assets.

This is significantly lower than the 2019 underlying profit before tax, largely due to the impacts of the Coronavirus (COVID-19) outbreak and increased depreciation following last year's net upward asset revaluation.

A reconciliation of the movement between the underlying result and the reported net loss for financial year ending 30 June 2020 is provided below:

Description	2019-20 Actual
Underlying Net (Loss)/Profit	**(15,829,823)**
Contributed Asset Revenue	30,798,098
Adjusted Net Profit	**14,968,275**
Revaluation Decrement	(214,163,825)
Net Loss	**(199,195,550)**

The primary driver for the net loss was the revaluation of our infrastructure assets. The revaluation has resulted in on overall decrease of $442,375,466 in the value of the Corporation's net assets. Sewerage assets have been revised downwards by $250,480,677 and water assets by $191,894,789.

The Australian Accounting Standards require decreases in asset values to be recognised in net profit to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. At the end of June 2020, a total of $214,163,825 was directly expensed and $228,211,641 was offset against the asset revaluation reserve.

The revaluation was primarily driven by the application of a higher discount rate within the asset valuation model and to a lesser extent by lower forecasted cashflows arising from the impact of COVID-19 in future financial years.

Capital Delivery Office

We established a Capital Delivery Office (CDO) in April 2018 to increase our capacity to deliver our capital program. The CDO model includes an alliance partnership with UGL Engineering and CPB Contractors, with support from WSP Australia.

After an initial period of mobilisation, the CDO has undertaken considerable planning, investigation and project development activities over the last 12 months. In particular, the CDO has begun work on a significant number of projects including design work for the Bryn Estyn WTP upgrade and the Macquarie Point STP relocation.

The first major projects to be fully delivered by the CDO include upgrade works at Mikany Dam at Smithton, and Henderson Dam on Flinders Island. These projects will increase water surety and dam safety for local communities.

Productivity Improvement Program

Our Productivity Improvement Program (PIP) was first developed in 2013 and contributes directly to achieving our customer promises to minimise price increases and deliver value for money.

Programs	Benefits and Progress
Chemical Review	Reduction in the need for use of odour masking agents
Procurement Contracts	New contracts for use of vacuum trucks, reinstatements and fluoride
Retail Value Creation Program	Operational improvements across meter reading, customer accounts, collections and revenue assurance by taking a customer first approach
Electricity procurement	Lower electricity rates that will deliver benefits from December 2019 to December 2023

In total, the PIP has now achieved overall business savings of $28.7 million.

Innovation

In July 2018, we launched our Innovation Driving Everyday Actions (IDEA) framework to support the development of new ideas and innovative behaviours across our business.

As at 30 June 2020, 136 ideas from across the business had been captured under this framework. Of these, 29 ideas have been assessed and verified as potential trials and a number of others have progressed to prototyping and trial implementation.

Some of the major initiatives progressed during 2019-20 include:

- Passive sampling technology: allowing us to detect pesticides in our hard-to-access catchment areas and identify contamination in our wastewater treatment plants
- Underwater remotely operated vehicles: new technology to carry out drinking water reservoir inspections that reduces risk and improves safety by mitigating the need to have divers in reservoirs
- Single user pump winch: An in-house bespoke design enabling our field staff to safely raise and lower heavy pumps for servicing
- Whip hose guide: An in-house bespoke design for our truck fleet, reducing our exposure to handling steel cabling which could potentially be contaminated or damaged
- In-house design of a collapsible flag pole to assist in safe changing of chlorine windsocks

During the financial year, we received the Infrastructure Project Innovation Award from the Australian Water Association for our 24Glasses and Small Regional Towns Water Supply Programs.

Information and communication technology

Over the last 12 months, we continued to deliver the objectives of our Information and Communication Technology (ICT) Strategy to support improved customer and business outcomes whilst supporting the transition of our workforce to working from home arrangements.

Key achievements in this area include:

- Developing our first Operational Information Systems Strategy provides the future direction for our operational technologies and accelerates our progress to becoming a digital utility
- Establishing a collaborative agile delivery model focussed on working together to leverage technology to reduce our cost to serve, allow early benefit realisation and build people centric solutions
- Establishing our digital platform and commencing the rollout of H2Go, a reliable field-based platform that enables our field staff to access digital field processes to efficiently manage their work and continuously improve our data.

Risk management

Consistent with our ongoing focus on embedding risk management throughout the organisation, the Board and senior management regularly review risks, controls and assurance levels to ensure our risks are being managed appropriately.

During 2019-20, we updated our Risk Management Policy to ensure that it remains aligned with the principles, framework and processes of the international standard ISO 31000: Risk Management.

We also continued to implement and embed our Risk Framework and tools across the business, including as part of our response to COVID-19.

The ongoing audit and assurance program continued, ensuring business compliance and providing opportunities for continuous improvement and efficiency through both external and internal audit and review programs. All compliance obligations, audits and resulting actions are maintained and tracked.

Governance

Governance

Legislative authority

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

It was incorporated on 5 February 2013 as a proprietary limited company under the *Corporations Act 2001*, owned by the 29 Tasmanian councils. Its constitution was adopted on incorporation and ratified by the owners at a general meeting on 16 May 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* facilitated the State Government becoming a shareholder in TasWater in early 2019.

Consequential amendments to TasWater's Constitution and Shareholders' Letter of Expectations were also approved, with the State Government formally becoming a shareholder in January 2019.

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 2019-20 were:

- Providing water and sewerage services for residential and commercial customers throughout Tasmania
- Undertaking maintenance, upgrading and development works on water and sewerage assets and preparing strategic development plans for the future

Role of the Board

The Board of Directors is responsible for the Corporation'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 which enable risks to be assessed and managed
- Setting the Corporation's strategic aims, ensuring the necessary financial and human resources are in place for the Corporation to meets its objectives and reviewing management performance
- Setting and monitoring strategic requirements for effective financial reporting and risk management
- Setting the Corporation's values and standards and ensuring that its obligations to its shareholders and others are understood and met
- Appointing the Chief Executive Officer 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 officers of the Corporation.

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 rights and responsibilities of our owner councils, and formally displaces specific sections of the *Corporations Act 2001*.

In most other ways, the Board's powers, obligations, rights and responsibilities are similar to those of other privately-owned, large proprietary limited companies.

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

Board structure

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

Directors' meeting attendance 2019-20

Director	Board		Audit & Risk Committee (AAR)		Capital Works Committee[3] (CWC)		Environment & Public Health Committee (EPH)		People, Culture & Community Committee (PCC)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Dr Stephen Gumley AO (Board Chair)	18	15*	-	4⁺	1	1	-	3⁺	-	2⁺
Nick Burrows (AAR Chair)	18	18	4	4	-	1⁺	3	3	-	2⁺
Sally Darke (PCC Chair from 26/11/2019)	18	18	4	4	-	1⁺	1	3⁺	2	2
Vincent (Tony) Kelly AM (EPH Chair)	18	18	2	4⁺	1	1	3	3	2	2
Peter Lewinsky (CWC Chair) (retired 29/02/2020)	9	8	3	3	1	1	2	3⁺	-	1⁺
Dr Helen Locher	18	18	2	4⁺	1	1	1	3⁺	2	2
Joanne Pearson (commenced 01/03/2020)	9	9	1	1	-	-	-	-	-	1⁺
Kevin Young (commenced 20/09/2019)	15	15	-	3⁺	-	-	2	2	2	2

Notes:

Three matters were considered by the Board through circular resolution without a meeting being held.

* absent as a result of mandatory government-imposed travel restrictions related to the COVID-19 pandemic.

⁺ denotes attendance by Directors who are not formal members of the relevant Board Committee.

[3] Capital Works Committee was retired as of 27 August 2019.

Directors' background and terms of appointment

Chairman: Dr Stephen Gumley AO, HonDEng (Tas) D.Phil (Oxon) MBA (Tas), FIE (Aust), FTSE

Appointed: 16 March 2018

Appointed Chairman: 30 November 2018

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 also held a diverse portfolio of board positions since the 1980s including at the University of Tasmania, Tasmanian Development Authority, AMOG Holdings, the Victoria Defence Council and as a board advisor on Goulburn Murray Water's $2 billion irrigation asset renewal program and Murray Irrigation's $200 million infrastructure program.

Nick Burrows, B.Com, FAICD, FCA, FGIA, FTIA, F Fin

Appointed: 26 March 2015

Reappointed: 1 March 2017

Reappointed: 29 February 2020

Mr Burrows is currently a member of the boards of Genetic Technologies Ltd, Clean Seas Seafood Ltd, Australian Seafood Industries Pty Ltd, and PFG Group Pty Ltd and associated entities.

He also acts as an independent adviser to a number of other boards and committees.

Prior to the restructure of the Tasmanian water and sewerage corporations, he was a Director of Southern Water from 2011-2013.

Mr Burrows has over 30 years' commercial experience in Tasmania's public, government and local government sectors as well as the listed sector, focusing on corporate governance and strategic, commercial, financial and risk management oversight.

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

Sally Darke, B.Ec, FAICD

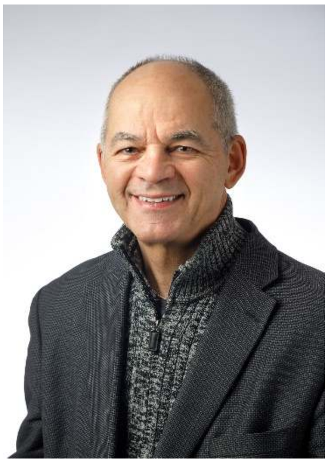
Appointed: 1 January 2016

Reappointed: 28 February 2018

Ms Darke has more than 30 years' experience as a human resources professional and is a former Director of professional services firm KPMG.

As a consultant for the past 10 years with KPMG, she developed extensive experience in strategic human resource management, governance, strategic planning, executive recruitment and board and CEO performance reviews.

Ms Darke is Chairperson of the Tasmanian Community Fund, Non-Executive Director of TasPorts past Chairperson of Scotch Oakburn College and a past State Councillor with the Australian Institute of Company Directors.



Vincent (Tony) Kelly AM, CPEng, Dip Civ Eng, MAICD

Appointed: 1 March 2016

Reappointed: 28 February 2019

Mr Kelly has more than 40 years' experience in the water industry and was previously Managing Director of Yarra Valley Water (2003-14).

He is an Adjunct Professor at the University of Technology Sydney and Chair of Isle Utilities Asia Pacific.

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, and Board Member of WaterLinks.

Dr Helen Locher, B.Sc., M.Env.Sc., PhD (Civil Engineering), GAICD

Appointed: 1 March 2016

Reappointed: 28 February 2019

Dr Locher has 30 years' experience working in Australia and overseas on environmental, social and sustainability issues. Her work has a particular focus on water resource management, renewable energy and sustainable regional development.

She has worked in over 30 countries on sustainability issues relating to hydropower and has received international awards in 2015 and 2019 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 Resource Management and Planning Appeals Tribunal and has previously held board roles with the Tasmanian Environment Protection Authority and the former Resource Planning and Development Commission.

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

Appointed: 1 March 2020

Ms Pearson is a qualified accountant and an experienced Chief Financial Officer with years of experience in the utilities sector.

She has an in-depth understanding of governance and risk management through her previous executive roles as well as her roles on various boards and committees including the Board of Westernport Water in Victoria.

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.

Kevin Young, MBA, B.E, CPEng, FAICD, FIEA

Appointed: 20 September 2019

Mr Young has more than 17 years' experience as a Director. He is currently a Director (and Deputy Chair) of WaterAid Australia, including Chair of the Finance and Risk Management Committee.

He is the immediate past Managing Director of Sydney Water Corporation (2011-19) and prior to that was Managing Director, Hunter Water Corporation (2004-11).

Mr Young comes to TasWater following a career spanning 40 years in the water and sewerage industry in Australia, the United States and the United Kingdom and brings a wealth of expertise in the management and operation of water utilities.

Peter Lewinsky, B.Ec, MBA, FCA, FAICD

Appointed: 1 March 2013

Reappointed: 1 March 2014

Reappointed: 1 March 2017

Retired: 29 February 2020

Mr Lewinsky is currently Chair of Holmesglen Institute and TAL Superannuation Ltd.

He is also a member of the board of Ambulance Victoria, Carbon Revolution Limited and of various government audit committees.

Mr Lewinsky has conducted his private consulting practice since 1991 and has extensive experience in governance, strategic planning, organisational change, financial management and risk management.

He is also an honorary board member of the Emmy Monash Home for the Aged.

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 four times during the year.

The Board has approved the AAR's charter, which is reviewed annually. Under the charter, the AAR 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.

The AAR approves the strategic internal audit plan to ensure planned audit activities are aligned to key business risks. Internal audit reports are provided to the Audit and Risk Committee at scheduled meetings.

During 2019-20 the AAR considered a number of matters including TasWater's statutory financial report and related external audit requirements, financial and accounting policies, compliance and risk management, treasury management, insurance renewal, and asset valuation methodology.

The AAR also oversaw delivery of a comprehensive internal audit program designed to inform the Board and management on key business and control risks. The committee has ongoing communication with external and internal auditors.

Capital Works Committee

The Capital Works Committee (CWC) was comprised of four independent Directors. It was chaired by Mr Peter Lewinsky. The CWC met once during the year.

In accordance with its charter approved by the Board, the CWC assisted the Board by reviewing, monitoring and overseeing matters relating to strategic asset management and capital investment activities. Its major focus in 2019-20 was to:

- Review and recommend to the Board for approval TasWater's policies and high-level frameworks for asset monitoring, capital planning, business case evaluation and approval and capital works delivery
- Review strategic asset assessments (including dam safety assessments)[4]
- Review and recommend the three-year rolling and annual capital works plans to the Board for approval
- Review and recommend major projects for Board approval
- Monitor and oversee the implementation of the capital works program, the effectiveness of policies and processes and staff training and accountability relating to capital works planning and delivery.
- Oversight of the establishment of the Capital Delivery Office on behalf of the Board.

Following the commencement of the Capital Delivery Office the Board assumed responsibility for oversight of the delivery program and performance of the CDO and the approval of business cases for capital works. As such, the CWC was retired on 27 August 2019.

[4] With the cessation of the Capital Works Committee, the Board is responsible for Dam Safety Assessments.

Environment and Public Health Committee

The Environment and Public Health (EPH) Committee comprises four independent directors. It is chaired by Mr Tony Kelly. The EPH met three times during the year.[5]

In accordance with its charter approved by the Board, the EPH assists the Board by reviewing, monitoring and overseeing matters relating to environmental strategy, management and compliance and public health strategy and compliance. Its major focus in 2019-20 was:

- Ongoing improvement in drinking water quality, particularly in relation to developing system improvements for the removal of public health alerts in small towns and risk reductions in water catchments
- Understanding the impacts of trade waste on TasWater's operations and implications for customers of moving toward contemporary trade waste discharge standards
- Taking a risk-based approach to sewage treatment plant standards to ensure greater priority is given to plants that present a higher potential risk to the environment into which they discharge.

People, Culture and Community Committee

The People, Culture and Community (PCC) Committee comprises four independent directors. It is chaired by Mrs Sally Darke. The PCC commenced on 26 November 2019 and met twice during the year.[6]

In accordance with its charter approved by the Board, the PCC assisted the Board through the oversight, direction and guidance of people, culture and community strategies. Its major focus in 2019-20 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.

Board Selection Committee

The Board Selection Committee is a committee of the Owners' Representatives Group. In accordance with TasWater's Constitution, it comprises six Owners' Representatives and the Board Chair.

The committee's main function is to select and appoint Directors, ensure the skill mix of the Board is appropriate, evaluate Board and committee performance and maintain and implement the Board remuneration framework. The Board Selection Committee met four times during the year.

[5] Due to the impacts of COVID-19, a meeting scheduled for April 2020 was cancelled.

[6] Due to the impacts of COVID-19, a meeting scheduled for March 2020 was cancelled.

Corporate governance disclosure obligations

The following tables summarise TasWater's compliance with ASX Principles. It provides the specific disclosures required where these are not included elsewhere in this Annual Report.

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 the Board Delegations Manual.	✓
• Those matters expressly reserved to the Board and those delegated to management are disclosed.	✓
• 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.	✓
• 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 and discloses annually whether a performance evaluation was undertaken in the reporting period.	✓
• TasWater has a process for periodically evaluating the performance of its senior executives and discloses annually whether a performance evaluation was undertaken in the reporting period in accordance with that process.	✓

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 Chairman. • 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 Chairman. • The members of the Board Selection Committee are disclosed and the number of meetings held during the reporting period 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 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 code 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 this Annual Report.	✓
• TasWater's Public Interest Disclosure Policy is published on TasWater's website.	✓
• Any material incidents reported under the Public Interest Disclosure Policy are reported to the Audit and Risk Committee and the Board.	✓
• The Fraud and Corruption Control Policy is disclosed.	✓
• Any incidents of fraud or corruption are reported to the Audit and Risk Committee and the 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 Chairman.	✓
• 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 is 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 quarterly meetings between the Chairman and Owners' Representatives, formal quarterly reporting of performance and other key matters and two General Meetings of Owners' Representatives each year.	✓
• This is augmented by the Board's continuous disclosures policy encompassed in its Shareholders Relations Policy.	⚠

Principle 6 – Respect the rights of security holders *Companies should provide its 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 via the website.	✓
• TasWater holds quarterly meetings and biannual general meetings with the Owners' Representatives.	✓
• The Owners' Representatives receive 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 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 review the Risk Management Framework periodically and strategic risks at least annually.	✓
• 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.	✓
• Management provided its assurances and formal declarations to the Board regarding the status of risk management and internal control systems. Confirmation of this can be found in the Directors' Declaration accompanying the financial reports.	✓

Principle 8 – Remunerate fairly and responsibly *Companies should pay Director remuneration sufficient to attract and retain high quality Directors and design its 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.*	
• The Board holds responsibility for human resources and remuneration policies.	✓
• The Board currently comprises seven independent non-executive directors and is Chaired by an independent director.	✓
• The Board Charter is published on the website.	✓
• Board member details are published on the website.	✓
• The number of Board meetings held and the Directors' attendance figures are disclosed in this Annual Report.	✓
• Directors have taken advice from independent expert advisers as required. No remuneration advisers undertake other work for management.	✓
• 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 does not have an equity based remuneration scheme.	✗

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

Public interest disclosures 2019-20	
The number and types of disclosures made to TasWater during the year and the number of disclosures determined to be a public interest disclosure.	0
The number of disclosures determined by TasWater to be public interest disclosures that it investigated during the year.	0
The number and type of disclosed matters referred to TasWater by the Ombudsman for investigation.	0
The number and type of disclosures referred by TasWater to the Ombudsman for investigation.	0
The number and type of investigations taken over from TasWater by the Ombudsman.	0
The number and type of disclosed matters that TasWater has declined to investigate.	0
The number and type of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation.	0
Any recommendations made by the Ombudsman that relate to TasWater.	0

Right to information requests 2019-20	
The number of applications for assessed disclosure made to TasWater.	9
The number of applications for assessed disclosure refused by TasWater and the basis for refusal.	0
The number of applications for assessed disclosure determined by TasWater.	10[7]
The number of determinations where the information applied for was provided in full.	10
The number of applications for internal review and the outcome of those reviews.	0
The number of applications for external review and the outcome of those reviews.	0

Personal information protection complaints 2019-20	
The number of complaints relating to failure to protect personal information made to TasWater.	0[8]

[7] Includes one application received in FY2018-19.

[8] While we received no complaints from individuals in relation to a failure to protect their personal information, we self-identified or were made aware of a number of instances where we inadvertently disclosed personal information to a third party.

Financial Report

Directors' Report for the Financial Year Ended 30 June 2020

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 2020. 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; and

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 loss of $199,195,550 for the year ended 30 June 2020 (2019: loss after tax $247,529,402). The 2020 underlying result was a loss of $15,829,823, excluding contributed asset revenue and the impact of the revaluation on the Corporation's infrastructure assets. This is significantly lower than the 2019 underlying profit before tax, largely due to the impacts of the Coronavirus (COVID-19) outbreak and increased depreciation following last year's net upward asset revaluation.

A reconciliation of the movement between the underlying result and the reported net loss for financial year ending 30 June 2020 is provided below:

	30 June 2020 $	30 June 2019 $
Underlying Net (Loss)/Profit before Tax	**(15,829,823)**	**21,741,652**
Contributed Asset revenue	30,798,098	29,634,926
Net Flood expense	-	(417,475)
Income Tax Equivalents expense	-	(9,700,049)
Adjusted Net Profit after Tax	**14,968,275**	**41,259,054**
Deferred tax balance write-off	-	(42,638,592)
Revaluation Decrement	(214,163,825)	(246,149,864)
Net Loss	**(199,195,550)**	**(247,529,402)**

The primary driver for the net loss was the revaluation of our infrastructure assets. The revaluation has resulted in on overall decrease of $442,375,466 in the value of the Corporation's net assets. Sewerage assets have been revised downwards by $250,480,677 and water assets by $191,894,789.

The Australian Accounting Standards require decreases in asset values to be recognised in net profit to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. At the end of June 2020, a total of $214,163,825 was directly expensed and $228,211,641 was offset against the asset revaluation reserve.

The revaluation was primarily driven by the application of a higher discount rate within the asset valuation model and to a lesser extent by lower forecasted cashflows arising from the impact of COVID-19 in future financial years. The update to the discount rate was informed by advice from an independent specialist

The independent specialist was engaged by the Corporation to review our existing discount rate methodology in light of the continued market volatility and current global economic uncertainty which have contributed to bond yields continuing to trade significantly below long-term averages.

The Corporation has adopted the independent specialist's recommended approach, which appropriately seeks to incorporate a longer-term perspective by considering prevailing market conditions in conjunction with future yield expectations. This approach results in a long-term or normalised risk free rate that should result in generally lower volatility in the discount rate to be applied in future years and consequently more stable asset values.

The independent specialist's review also encompassed benchmarking against contemporary industry averages.

Whilst the adopted approach for statutory accounting purposes departs from the Corporation's approach used for regulatory purposes, the directors consider, and the independent specialist confirms that this is reasonable and appropriate given the differences in intended use.

We have provided financial assistance to our community and customers to support them through the unprecedented health and economic challenges presented by COVID-19. Key support measures include:

- Expanding Customer Support Program
- Giving businesses extra time to pay
- Providing eligible small business customers a 100 per cent rebate on their 2019/20 fourth quarter bills.

In addition, we have announced that we will be freezing our prices for 12 months for residential and business customers from 1 July 2020.

The financial impact of COVID-19 on the Corporation's 2020 results has led to a decline in reported net profit of $18,062,161 compared with budget. The two primary drivers were the loss of revenue associated with the 100 percent rebate on fourth quarter bills to qualifying small business customers and a significant increase in our provision for bad and doubtful debts.

Given the uncertainty regarding COVID-19 and the rapidly changing circumstances, the Corporation received approval from the Premier of Tasmania to extend the current regulatory period (Price and Service Plan 3) by one year from 30 June 2021 to 30 June 2022.

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. A number of the Corporation's Sewage Treatment Plants (STPs) do not fully comply with effluent discharge licences set by the Environmental Protection Authority (EPA). The Corporation has a Wastewater Risk Management Plan which has been endorsed by the EPA outlining initiatives and implementation schedules to address the EPA's priorities with respect to environmental risk and non-compliance.

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

- An uncontrolled sewage discharge from a manhole on Sandy Bay Road, Hobart on 13 July 2019
- A breach of condition OP2 of the Permit, through failure to have appropriately documented procedure and operation manuals, at Selfs Point Wastewater Treatment Plant on 10 and 11 September 2019
- A breach of regulation 8(1)(a) the *Environment and Pollution Control (Waste Management) Regulations 2010* through the discharge of a controlled waste (sewage) causing, or likely to cause, environmental harm, at Macquarie Point on 11 August 2019.

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

The Corporation has been working with the shellfish industry regulator (ShellMAP) to improve the notification and reporting process where uncontrolled discharges to the environment occur, and to better understand the nature and extent of risk posed to shellfish operations from such discharges.

Drinking water systems

The Board has the responsibility to monitor compliance with 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 2020 all of the Corporation's drinking water systems complied with the microbiological health guidelines contained in the Australian Drinking Water Guidelines 2011, as specified in the Tasmanian Drinking Water Quality Guideline.

Even though the Corporation achieved the above compliance, a temporary boil water alert was applied following a positive result for E. coli at the Lauderdale reservoir (5 November 2019), impacting Lauderdale, Roches Beach, Acton Park and Seven Mile Beach. The alert was lifted within three days after further testing indicated there was no ongoing presence of microbiological contamination. Additional analysis of the initial sample re-classified the micro-organism as E. vulneris, environmental in origin and not E. coli, and therefore did not constitute a threat to public health.

Dam portfolio

The Corporation manages its dams in accordance with the *Water Management Act 1999* and uses a Dam Portfolio Risk Assessment process, in accordance with the Australian National Committee on Large Dams (ANCOLD) Dam Safety Management Guidelines 2003, to prioritise the works required. We have in place a regular and structured inspection program.

The Corporation has four (2019: seven) dams out of our extensive dam portfolio (in excess of 300 dams) that are known to exceed ANCOLD tolerable risk limits. These are being managed under mitigation plans agreed with the Tasmanian Dam Safety Regulator and are regularly reported to the Board. The Corporation intends on implementing permanent solutions to address the four remaining dams that exceed ANCOLD tolerable risk limits.

Distributions to Councils including Dividends

The Corporation distributed $10,000,000 to Councils during the year (2019: $20,000,000). A reconciliation of the individual components of the distributions is provided below:

Distribution Type	30 June 2020 $	30 June 2019 $
Loan Guarantee Fee *	-	2,701,539
Income Tax Equivalents *	1,620,374	6,809,812
Dividends	8,379,626	10,488,649
Total Distributions	**10,000,000**	**20,000,000**

* Section 9 of the *Water and Sewerage Legislation (Corporate Governance and Pricing) Amendment Act 2018* repealed section 22 (payment of guarantee fees) and section 23 (payment of tax equivalents) of the *Water and Sewerage Corporation Act 2012*. As such, the Corporation ceased accruing Loan Guarantee Fees and Income Tax Equivalents from 1 January 2019. The Income Tax Equivalent payment made during the financial year was full and final settlement of the Corporation's final tax liability as at 31 December 2018.

In considering the impacts of COVID-19 on the Corporation's financial performance and the significant uncertainty that remains with respect to future impacts, the Board formed the view that the payment of additional interim and/or final dividends for the financial year was not prudent.

Events after balance date

The Corporation's water and sewerage infrastructure asset values were revalued at the 30 June 2020, resulting in the carrying value being reduced by $442,375,466. The revaluation decrement was primarily driven by the application of a higher discount rate within the Corporation's asset valuation model and lower forecast cashflows arising from the impact of COVID-19 in future financial years.

The Corporation's net assets have reduced by $416,185,457 (22.4 per cent) from the preceding financial year, predominantly driven by the revaluation decrement.

The revaluation decrement triggered a 'Material Adverse Change' under the Corporation's Master Loan Facility Agreement (MLFA) with the Tasmanian Public Finance Corporation. A material adverse change is defined as "a reduction in net assets of the Borrower in excess of 15% of the amount reported in the preceding financial year".

The MLFA breach has resulted in all borrowings being reclassified as current as at 30 June 2020, following the temporary loss in ability to defer settlement, as this breach would allow the Tasmanian Public Finance Corporation to give notice for immediate repayment. Reclassification of all borrowings as current is also a requirement of Australian Accounting Standard AASB 101 – *Presentation of Financial Statements*.

On 7 August 2020, the Corporation received a 'no action' waiver from the Tasmanian Public Finance Corporation with a reinstatement of previous terms and conditions of all existing borrowings under the MLFA, including the maturity dates. Had the waiver been received on or before 30 June 2020, the Corporation would have reported current borrowings of $88,334,649 and non-current borrowings of $491,268,045.

On 7 August 2020, the Corporation received confirmation of its requested increase to its borrowing facility limit with the Tasmanian Public Finance Corporation to $735,300,000.

Likely future developments

COVID-19 related Financial Disclosure

The full impact of COVID-19 on the Corporation for the financial year ending 30 June 2021 and beyond is difficult to determine at this time. The Corporation has prepared projected cash flows which reflect an assessment of the continued business impacts of COVID-19 under a range of forecast scenarios. These forecasts provide reasonable assurance that the Corporation will continue to operate as a going concern and within approved borrowing facility limits.

The Corporation's greatest financial exposure to COVID-19 relates to the collectability of our revenue streams. The Corporation recognises that it may be especially difficult for many of our customers to meet their financial obligations and expenses due to COVID-19 and are therefore actively working to support these customers via an enhanced Customer Support Program.

Taskforce on Climate related Financial Disclosures

The Corporation is involved in a working group related to the risk management implications for Tasmanian State-Owned Corporations (SOCs) and Government Business Enterprises (GBEs) from the Taskforce on Climate-related Financial Disclosures (TCFD), and existing requirements for companies under ASX, ASIC and APRA regulations.

These working group meetings have included representatives from the Climate Change Office (part of the Department of Premier and Cabinet), the Department of Treasury and Finance and key businesses including Local Government Association of Tasmania and a number of government businesses and organisations. Currently a project is being scoped with National and State science bodies to facilitate risk scenario modelling for the whole of Tasmania.

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

Remuneration of directors and senior management

Remuneration report

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Corporation's directors and its senior executives for the financial year ended 30 June 2020. 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
- Mr Peter Lewinsky (term expired 29 February 2020)
- Dr Helen Locher
- Ms Joanne Pearson (appointed 1 March 2020)
- Mr Kevin Young (appointed 20 September 2019)

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	End Date
Mr Michael Brewster	Chief Executive Officer	01/07/2013	
Ms Cathy Cuthbertson	General Manager People and Safety	09/09/2013	
Ms Ruth Dowty	Acting General Manager Corporate and Community Relations	23/03/2020	
Mr David Hughes-Owen	General Manager Service Delivery	10/03/2020	
Ms Juliet Mercer	General Manager Corporate and Community Relations Strategic Projects and Capital Delivery Office Business Recovery Executive	22/08/2016 23/03/2020 04/05/2020	22/03/2020 03/05/2020
Mr Andrew Moir	General Manager Asset Portfolio Planning and Delivery	02/09/2013	
Mr Dean Page	Chief Financial Officer Acting General Manager Retail and Customer Services Chief Financial Officer	19/08/2013 27/03/2017 15/01/2018	26/03/2017 14/01/2018 03/01/2020
Mr Matthew Pigden	Acting Chief Financial Officer Chief Financial Officer	02/12/2019 16/03/2020	15/03/2020
Mr Bennie Smith	General Manager Service Delivery	05/12/2016	13/12/2019
Mr Neal Synott	Acting General Manager Service Delivery	28/11/2019	09/03/2020
Ms Ailsa Sypkes	General Manager Governance and Assurance	28/04/2014	

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 WSCA, 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.

Non-executive directors' did not receive an increase in the level of base director fee remuneration during the financial year.

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 employment contracts. 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:

2020 Non-executive Directors	Short Term Benefits	Post-Employment Benefits	
	Salary $	Superannuation $	Total $
Dr Stephen Gumley AO	113,364	10,770	124,134
Mr Nick Burrows	65,390	6,212	71,602
Ms Sally Darke	63,588	6,041	69,629
Mr Vincent (Tony) Kelly	67,191	6,383	73,574
Mr Peter Lewinsky (term expired 29/02/2020)	43,660	4,148	47,808
Dr Helen Locher	61,486	5,841	67,327
Ms Joanne Pearson (appointed 01/03/2020)	19,629	1,865	21,494
Mr Kevin Young (appointed 20/09/2019)	47,060	4,471	51,531
Total	**481,368**	**45,731**	**527,099**

2019 Non-executive Directors	Short Term Benefits	Post-Employment Benefits	
	Salary $	Superannuation $	Total $
Mr Miles Hampton (resigned 29/11/2018)	56,012	4,600	60,612
Mr Nick Burrows	64,514	6,129	70,643
Ms Sally Darke	60,662	5,763	66,425
Dr Stephen Gumley AO	88,375	8,396	96,771
Mr Vincent (Tony) Kelly	68,365	6,495	74,860
Mr Peter Lewinsky	64,514	6,129	70,643
Dr Helen Locher	60,662	5,763	66,425
Total	**463,104**	**43,275**	**506,379**

- Salary includes base salary and where applicable vehicle allowances and non-monetary remuneration benefits

2020 Senior Executives	Short Term Benefits	Other Long-Term Employee	Post-Employment Benefits		
	Salary $	Benefits $	Superannuation $	Termination Benefits $	Total $
Mr Michael Brewster	519,546	51,458	25,000	-	596,004
Ms Cathy Cuthbertson	232,084	18,948	23,461	-	274,493
Ms Ruth Dowty (23/03/2020 - present) (Acting)	53,000	5,973	5,035	-	64,008
Mr David Hughes-Owen (appointed 10/03/2020)	81,770	6,450	7,314	-	95,534
Ms Juliet Mercer	262,394	11,926	24,677	-	298,997
Mr Andrew Moir	305,341	38,860	25,000	-	369,201
Mr Dean Page (resigned 03/01/2020)	192,430	(55,885)	11,780	20,373	168,698
Mr Matthew Pigden (02/12/2019-15/03/2020) (Acting) (appointed 16/03/2020)	174,042	37,830	16,055	-	227,927
Mr Bennie Smith (resigned 13/12/2019)	139,296	(23,586)	11,058	6,939	133,707
Mr Neal Synott (28/11/2019-09/03/2020)(Acting)	60,499	(1,726)	11,877	-	70,650
Ms Ailsa Sypkes	260,704	12,776	25,000	-	298,480
Total	**2,281,106**	**103,024**	**186,257**	**27,312**	**2,597,699**

2019 Senior Executives	Short Term Benefits Salary $	Other Long-Term Employee Benefits $	Post-Employment Benefits Superannuation $	Termination Benefits $	Total $
Mr Michael Brewster	512,770	29,470	24,997	-	567,237
Ms Cathy Cuthbertson	241,597	4,519	23,954	-	270,070
Dr Dharma Dharmabalan (resigned 28/06/2019)	302,668	(47,422)	25,172	21,788	302,206
Ms Juliet Mercer	254,681	6,686	25,000	-	286,367
Mr Andrew Moir	324,701	12,684	24,842	-	362,227
Mr Dean Page	315,070	14,349	24,210	-	353,629
Mr Bennie Smith	294,589	9,954	24,987	-	329,530
Ms Ailsa Sypkes	257,563	26,505	22,766	-	306,834
Total	**2,503,639**	**56,745**	**195,928**	**21,788**	**2,778,100**

- Salary includes base salary and where applicable vehicle allowances and non-monetary remuneration benefits
- 'Other Long-Term Employee Benefits' represents the net movement in leave provisions
- 'Termination Benefits' includes payments in lieu of notice.

Key terms of employment contracts

Senior executive staff

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

Consistent with legislated requirements, senior executives receive a superannuation guarantee contribution of 9.50 per cent (2019: 9.50 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 contract, 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.

Non-executive directors

Appointment conditions for non-executive directors are specified in both the WSCA 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 by consecutive terms for a maximum of ten continuous years from the date of first appointment. The ten 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.

Further information about the remuneration of directors and senior executives is set out in Note 18 to the financial statements.

Indemnification of directors and officers

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

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

Proceedings on behalf of the Corporation

No person has applied for leave of the Court to bring proceedings on behalf of the Corporation or 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 52.

Rounding of amounts

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 and Directors' Report have been rounded to the nearest thousand dollars ($'000), unless otherwise stated.

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

On behalf of the directors

Dr Stephen Gumley AO	Nick Burrows
Chair	Director

19 August 2020

Auditor’s Independence Declaration

Tasmanian
Audit Office

Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 | Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

19 August 2020

The Board of Directors
Tasmanian Water and Sewerage Pty Ltd
GPO Box 1393
HOBART TAS 7001

Dear Board Members

Auditor’s Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Tasmanian Water and Sewerage Corporation Pty Ltd for the financial year ended 30 June 2020, 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

Rod Whitehead
Auditor-General

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

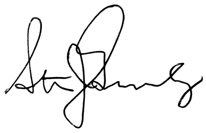
Strive | Lead | Excel | To Make a Difference

Directors' Declaration

The directors declare that for the financial year ended 30 June 2020:

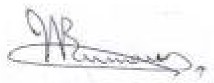
a) The attached financial statements and notes thereto comply with accounting standards;
b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Corporation;
c) In the directors' opinion, the attached financial statements and notes 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 2020.

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



Dr Stephen Gumley AO

Chair



Nick Burrows

Director

19 August 2020

Independent Auditor's Report

Tasmanian Audit Office

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 2020, the 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 the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2020 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 the 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*, provided to the directors of the Company on 19 August 2020 and included in the Directors' Report, would be in the same terms if provided to the directors at the time of this 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
Material adverse change impacting financing facilities *Refer to notes 1.4, 3 and 14.2*	
As disclosed in the financial report, certain events and conditions have triggered a 'Material Adverse Change' under the Company's Master Loan Facility Agreement with the Tasmanian Public Finance Corporation. By their very nature, these events or conditions are considered to be key audit matters.	• Assessing directors' assertions relating to the Company's ability to continue as a going concern. • Examining correspondence to verify the 'no action' waiver from the Tasmanian Public Finance Corporation. • Examining documentation to confirm the Company's reinstatement of previous borrowings terms and conditions and increased borrowing facility limit, obtained subsequent to 30 June 2020. • Assessing the Company's cash flow projections and assumptions for the period covering 13 months from the date of signing this report, to ensure the reasonableness of continued operations.
Water and Sewerage Infrastructure *Refer to notes 6 and 11*	
Property, plant and equipment includes material long-life water and sewerage infrastructure assets recognised at fair value and carried at $1 792.95m at 30 June 2020. The fair value of these water and sewerage assets is determined using an income valuation methodology based on discounted cash flows.	• 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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
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). 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. The calculation of depreciation for water and sewerage infrastructure, $84.00m, requires estimation of asset useful lives and residual values which involves a high degree of subjectivity. Changes in assumptions underlying depreciation calculations can significantly impact the depreciation charged.	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's expert 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 • Testing, on a sample basis, the internal mathematical accuracy of the valuation model's calculations. • Evaluating management's assessment of useful lives. • Performing substantive analytical procedures on water and sewerage infrastructure assets depreciation expense. • Evaluating the adequacy of disclosures made, including those regarding key assumptions used in the valuation, in light of the requirements of the accounting standards.

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 2020, 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 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.

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 2020. 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 2020.

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.

Rod Whitehead
Auditor-General

Tasmanian Audit Office

20 August 2020
Hobart

Financial Statements

Tasmanian Water and Sewerage Corporation Pty Ltd
Statement of Comprehensive Income
for the Financial Year Ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Revenue			
Sales Revenue	5	316,744	325,209
Other Revenue	5	34,249	33,830
Total Revenue		**350,993**	**359,039**
Expenses			
Raw Materials and Consumables	6	26,323	26,754
Depreciation and Amortisation Expenses	6	103,971	83,888
Employee and Related Expenses	6	95,295	93,920
Operations and Maintenance Expenses	6	60,966	61,814
Administration Expenses	6	30,083	22,320
Finance Expenses	6	19,387	19,383
Revaluation Decrement	6	214,164	246,150
Total Expenses		**550,189**	**554,229**
Net (Loss)/Profit Before Income Tax Equivalents Expense		**(199,196)**	**(195,190)**
Income Tax Equivalents Expense	7.1	-	52,339
Net (Loss)/Profit After Income Tax Equivalents Expense		**(199,196)**	**(247,529)**
Other Comprehensive Income: Items that will not be reclassified to Profit and Loss			
Actuarial (Loss)/Gain on Defined Benefit Plans		(31)	(1,749)
Change in Net Asset Revaluation Reserve	11	(228,579)	488,387
Income Tax Relating to Components of Other Comprehensive Income	7.2	-	10,496
Total Other Comprehensive Income		**(228,610)**	**497,134**
Total Comprehensive Income for the Year		**(427,806)**	**249,605**

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 2020

	Notes	2020 $'000	2019 $'000
Current Assets			
Cash and Cash Equivalents	10.1	2,046	4,770
Receivables	10.2	22,874	41,135
Inventories	10.3	8,393	6,684
Prepayments		2,793	2,482
Assets Classified as Held for Sale	10.4	71	-
Total Current Assets		**36,177**	**55,071**
Non-current Assets			
Receivables	10.2	706	713
Property, Plant and Equipment	11	2,047,344	2,432,706
Intangibles	12	41,323	39,742
Right of Use Assets	13	9,710	-
Deferred Tax Assets	7.4	-	-
Total Non-current Assets		**2,099,083**	**2,473,161**
Total Assets		**2,135,260**	**2,528,232**
Current Liabilities			
Payables	14.1	28,917	29,965
Current Tax Liability	7.3	-	1,620
Employee Benefits	17	19,183	16,769
Borrowings	14.2	579,603	87,282
Unearned Income	14.3	2,260	2,057
Lease Liabilities	14.4	430	-
Other Current Liabilities	14.5	9,005	5,806
Total Current Liabilities		**639,398**	**143,499**
Non-current Liabilities			
Employee Benefits	17	11,336	11,263
Borrowings	14.2	-	482,103
Unearned Income	14.3	27,279	28,515
Lease Liabilities	14.4	9,239	-
Other Non-current Liabilities	14.5	4,937	3,595
Total Non-current Liabilities		**52,791**	**525,476**
Total Liabilities		**692,189**	**668,975**
Net Assets		**1,443,071**	**1,859,257**
Equity			
Retained Profits		(418,995)	(211,388)
Asset Revaluation Reserve	15	294,252	522,831
Contributed Equity	8	1,567,814	1,547,814
Total Equity		**1,443,071**	**1,859,257**

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 2020

	Notes	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Receipts from Customers and Other Sources		352,257	349,842
Payments to Suppliers and Employees		(228,455)	(229,796)
Headwork Charges		142	408
Interest Received		27	45
Interest Paid		(18,807)	(17,578)
Loan Guarantee Fees Paid to Owner Councils		-	(2,700)
Income Tax Equivalents Paid to Owner Councils	7.3	(1,620)	(6,811)
Net Cash inflow from Operating Activities	**10.1**	**103,544**	**93,410**
Cash Flows used in Investing Activities			
Payments for Property, Plant and Equipment		(117,440)	(123,055)
Interest Paid for Capital Works		(1,383)	(2,942)
Payments for Capitalised Employee and Direct Costs		(8,994)	(5,216)
Proceeds from Sale of Property, Plant and Equipment		904	633
Equity Contributions	8	20,000	20,000
Net Cash outflow used in Investing Activities		**(106,913)**	**(110,580)**
Cash Flows from Financing Activities			
Proceeds from Borrowings		317,200	347,000
Repayment of Borrowings		(306,982)	(316,833)
Dividends Paid to Owner Councils		(8,380)	(10,489)
Repayment of Lease Liabilities		(1,193)	-
Net Cash inflow from Financing Activities		**645**	**19,678**
Net increase/(decrease) in Cash and Cash Equivalents		**(2,724)**	**2,508**
Cash and Cash Equivalents at the Beginning of the Year		**4,770**	**2,262**
Cash and Cash Equivalents at the end of the Year	**10.1**	**2,046**	**4,770**

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 2020

	Notes	Retained Profits $'000	Asset Revaluation Reserve $'000	Contributed Equity $'000	Total Equity $'000
Balance as at 30 June 2018		**48,217**	**24,110**	**1,527,814**	**1,600,141**
Net Loss after Income Tax Equivalents Expense		(247,529)	-	-	(247,529)
Equity Contribution	8	-	-	20,000	20,000
Dividends Paid	9	(10,489)	-	-	(10,489)
Other Comprehensive Income		(1,587)	498,721	-	497,134
Balance as at 30 June 2019		**(211,388)**	**522,831**	**1,547,814**	**1,859,257**
Adjustment from the adoption of AASB 16		-	-	-	-
Adjusted balance as at 1 July 2019		**(211,388)**	**522,831**	**1,547,814**	**1,859,257**
Net Loss		(199,196)	-	-	(199,196)
Equity Contribution	8	-	-	20,000	20,000
Dividends Paid	9	(8,380)	-	-	(8,380)
Other Comprehensive Income		(31)	(228,579)	-	(228,610)
Balance as at 30 June 2020		**(418,995)**	**294,252**	**1,567,814**	**1,443,071**

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

Notes to the Financial Statements

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 State 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 the 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 also complies with International Financial Reporting Standards (IFRS) and Interpretations adopted by the International Accounting Standards Board.

The Financial Report was approved by the Board of Directors on 19 August 2020.

1.3. Basis of preparation

The Financial Report is prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies. 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 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.

1.4. Going Concern

The financial report has been prepared on the going concern basis, which assumes the Corporation will be able to realise its assets and discharge its liabilities in the normal course of business.

For the year ended 30 June 2020 the Corporation incurred a net loss of $199,195,550 (2019: loss $247,529,402), predominantly driven by a revaluation decrement in infrastructure assets. This has contributed to the Corporation's net assets reducing by $416,185,457 from the preceding financial year. The reduction in net assets has triggered a

'Material Adverse Change' under the Corporation's MLFA with the Tasmanian Public Finance Corporation, resulting in all borrowings being reclassified as current as at 30 June 2020. As at 30 June 2020, current liabilities exceeded current assets by $603,220,838. Further, the Corporation is aware of uncertainties regarding the effect of COVID-19 and potentially rapidly changing circumstances.

The directors are confident of the Corporation's ability to continue as a going concern for the reasons outlined below:

- on 7 August 2020, the Corporation received a 'no action' waiver from the Tasmanian Public Finance Corporation with a reinstatement of previous terms and conditions of all existing borrowings under the MLFA, including the maturity dates;
- subsequent to 30 June 2020, the Corporation received confirmation of an increase in its borrowing facility limit with the Tasmanian Public Finance Corporation to $735,300,000; and
- the Corporation prepares a high level long term cash flow projection based on the Long Term Strategic Plan. It has also prepared detailed projected cash flows, for a period of 13 months from the date of signing this report, which reflect an assessment of the continued business impacts of COVID-19 under a range of forecast scenarios. These forecasts provide reasonable assurance that the Corporation will continue to operate as a going concern and within approved borrowing facility limits.

The directors decided to curtail the payment of additional interim and/or final dividends in respect of the year ended 30 June 2020. The Corporation intends on reinstating dividend payments to Councils when the Directors consider it financially prudent to do so.

At the date of this report and having considered the above factors, the directors are confident that the Corporation will be able to continue as a going concern. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Corporation not continue as a going concern.

1.5. 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 11
- Fair value of infrastructure, land, buildings and leasehold improvements, refer to note 11
- Asset impairment refer to note 10.2, note 10.3, note 11, note 12, note 13, note 19
- 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 14.5
- Defined benefit obligations, refer to note 17
- Contingent assets and liabilities, refer to note 22

1.6. 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 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 account policies

2.1 Application of new and revised accounting standards

Standards and interpretations adopted by the Corporation

AASB 16 Leases

The Corporation has adopted AASB 16 *Leases* for the first time for the reporting period commencing 1 July 2019.

The Corporation has elected to use the modified retrospective approach with any initial cumulative adjustment to the opening balance of retained earnings. Prior periods have not been restated. The Corporation utilised the practical expedient allowing the application of AASB 16 to existing contracts that were previously identified as leases under AASB 17 *Leases* and to new contracts entered or changed after 1 July 2019. Accordingly, the definition of a lease in accordance with AASB 17 will continue to be applied to those leases entered or changed before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease based on whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This contrasts with the focus on 'risks and rewards' in AASB 17.

The adoption of this new Standard has resulted in the Corporation recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. Low value and short term leases will be expensed on a straight line basis over the remaining lease term.

The Corporation has used the following practical expedients when applying the cumulative catch up approach to leases previously classified as operating leases applying AASB 17.

- The Corporation has applied a single discount rate of to a portfolio of leases with reasonably similar characteristics
- Instead of performing an impairment review on the right-of-use assets at the date of initial application, reliance has been placed on the Corporation's historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.
- The Corporation has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Corporation has excluded initial direct costs from the measurement of right of use assets at the date of initial application.
- The Corporation has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 on 1 July 2019 is 4.26 per cent.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	$
Total operating lease commitments disclosed under AASB 17 at 30 June 2019	**5,752,578**
Recognition exemptions: short term leases	(7,480)
Recognition exemptions: leases of low value assets	(387,535)
Extension options reasonably certain to be extended	12,574,984
Effect of discounting the above amounts using incremental borrowing rate	(7,828,964)
Total lease liabilities recognised under AASB 16 at 1 July 2019	**10,103,583**

Upon adoption of AASB 16 the Corporation recognised a $10,103,583 right of use asset and a corresponding $10,103,583 lease liability.

The Corporation's subsequent measurement disclosures for Right of Use Assets and Lease Liabilities have been included in note 13, note 14.4 and note 16.

Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations relevant to the Corporation listed below were in issue but not yet effective. The Corporation does not intend to adopt any of these pronouncements before their effective dates.

Standard	Summary	Effective for annual reporting periods beginning on or after	Expected to be initally applied in the financial year ending	Impact on financial report
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021	The amendments principally amend AASB 101 *Presentation of Financial Statements* to clarify the definition of material and its application by improving the wording and aligning the definition across AASB standards. The definition of materiality will depend on the nature or magnitude of information and the Corporation will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The Corporation does not expect there to be an impact on its current application of materiality in the financial statements.

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

The Corporation's water and sewerage infrastructure asset values were revalued at 30 June 2020 resulting in the carrying value being reduced by $442,375,466. The revaluation decrement was primarily driven by the application of a higher discount rate within the Corporation's asset valuation model and lower forecast cashflows arising from the impact of COVID-19 in future financial years.

The Corporation's net assets have reduced by $416,185,457 (22.4 per cent) from the preceding financial year, predominantly driven by the revaluation decrement.

The revaluation decrement triggered a 'Material Adverse Change' under the Corporation's Master Loan Facility Agreement (MLFA) with the Tasmanian Public Finance Corporation. A material adverse change is defined as "a reduction in net assets of the Borrower in excess of 15% of the amount reported in the preceding financial year".

The MLFA breach has resulted in all borrowings being reclassified as current as at 30 June 2020, following the temporary loss in ability to defer settlement, as this breach would allow the Tasmanian Public Finance Corporation to give notice for immediate repayment. Reclassification of all borrowings as current is also a requirement of the Australian Accounting Standard AASB 101 – *Presentation of Financial Statements*.

On 7 August 2020, the Corporation received a 'no action' waiver from the Tasmanian Public Finance Corporation with a reinstatement of previous terms and conditions of all existing borrowings under the MLFA, including the maturity dates. Had the waiver been received on or before 30 June 2020, the Corporation would have reported current borrowings of $88,334,649 and non-current borrowings of $491,268,045 - For full details refer Note 14.2.

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 2020	Water $'000	Sewerage $'000	Other $'000	Total $'000
Revenue				
Service Charges (including Trade Waste)	81,264	148,070	104	229,438
Usage Charges (including Trade Waste)	60,013	9,076	2,508	71,597
Government Funded Concessions	4,447	4,038	-	8,485
Government Grants and Compensation	1,299	277	-	1,576
Interest Received	241	280	-	521
Other	20,352	18,381	643	39,376
Total Revenue	**167,616**	**180,122**	**3,255**	**350,993**
Expenses				
Operations and Maintenance (including Raw Materials)	44,705	41,925	659	87,289
Employee Related Expenses	47,357	47,936	2	95,295
Administration Expenses	14,385	15,486	212	30,083
Depreciation Expenses	40,578	61,009	2,384	103,971
Finance Expenses	7,501	11,624	262	19,387
Revaluation decrement	191,782	22,382	-	214,164
Total Expenses	**346,308**	**200,362**	**3,519**	**550,189**
Net Loss (continuing operations)	**(178,692)**	**(20,240)**	**(264)**	**(199,196)**

Segment Results Year Ended 30 June 2019	Water $'000	Sewerage $'000	Other $'000	Total $'000
Revenue				
Service Charges (including Trade Waste)	83,095	154,725	105	237,925
Usage Charges (including Trade Waste)	62,160	7,478	2,072	71,710
Government Funded Concessions	4,341	3,941	-	8,282
Government Grants and Compensation	1,360	28	-	1,388
Interest Received	285	317	-	602
Other	20,458	18,185	489	39,132
Total Revenue	**171,699**	**184,674**	**2,666**	**359,039**
Expenses				
Operations and Maintenance (including Raw Materials)	44,826	43,257	485	88,568
Employee Related Expenses	45,258	48,659	3	93,920
Administration Expenses	10,653	11,541	126	22,320
Depreciation Expenses	46,372	36,818	698	83,888
Finance Expenses	10,756	8,420	207	19,383
Revaluation decrement	246,150	-	-	246,150
Total Expenses	**404,015**	**148,695**	**1,519**	**554,229**
Profit Before Tax (continuing operations)	(232,316)	35,979	1,147	(195,190)
Income Tax Equivalent Expense	14,208	36,953	1,178	52,339
Loss After Tax (continuing operations)	**(246,524)**	**(974)**	**(31)**	**(247,529)**

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 Chief Executive Officer (CEO) for the purposes of resource allocation and assessment of segment performance is predominantly focused on the provision of 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 11.

5. Revenue and other income

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

	2020 $'000	2019 $'000
Sales revenue		
Water - Service Charge	75,661	79,705
Sewerage - Service Charge	144,936	151,599
Water - Usage Charge	61,223	61,390
Irrigation Income	1,418	1,125
Trade Waste Income	12,982	11,355
State Government Funded Concessions	8,485	8,282
Other Fees and Charges including New Connections	12,039	11,753
Total Sales Revenue	**316,744**	**325,209**
Other revenue		
Contributed Assets and Headwork Charges	30,799	29,635
Government Grants	1,576	1,388
Insurance Recovery - Flood Event	-	541
Other	1,874	2,266
Total Other Revenue	**34,249**	**33,830**
Total Revenue	**350,993**	**359,039**

Recognition and measurement

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

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. Government grants of a revenue nature are recognised as income over the periods necessary to match related costs. Government grants related to assets are recognised in the Statement of Financial Position as a deferred liability and are recognised as revenue on a systematic basis over the useful life of the asset.

Customer contributions and developer charges

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

6. Expenses

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

	2020 $'000	2019 $'000
Raw material and consumables		
Power Costs	14,730	14,899
Chemicals	8,832	9,095
Water Commission Rights	2,761	2,760
Total	**26,323**	**26,754**
Depreciation expenses		
Infrastructure Assets	84,003	67,638
Buildings and Leasehold Improvements	1,164	1,398
Other Assets	7,515	6,153
Total	**92,682**	**75,189**
Amortisation expenses		
Intangibles	10,569	8,699
Total	**10,569**	**8,699**
Right of Use Assets	720	-
Total Depreciation and Amortisation Expenses	**103,971**	**83,888**
Employee and related expenses		
Remuneration and On-Costs	100,203	93,367
Less Capitalised Salaries	(8,994)	(5,216)
Restructure Costs	453	2,157
Other Employee and Related Expenses	3,633	3,612
Total	**95,295**	**93,920**
Operations and maintenance expenses		
Maintenance and Planning	47,136	46,709
Property Costs	7,513	7,442
Motor Vehicles	3,067	3,064
Flood Recovery Expenses	-	958
Other Operations and Maintenance	3,250	3,641
Total	**60,966**	**61,814**
Administration expenses		
Insurance	2,333	2,315
Billing Costs	2,795	2,591
Property Costs	441	1,189
Information Systems and Communications	7,160	6,153
Regulatory Fees	2,701	2,630
Doubtful Debt Provision	8,054	1,297
Other Administration	6,599	6,145
Total	**30,083**	**22,320**

	2020 $'000	2019 $'000
Finance Expenses		
Interest Expense - Borrowings	20,071	20,672
Loan Guarantee Fee Expense (paid to Owner Councils)	-	1,335
Less Amount Capitalised[1]	(1,383)	(2,942)
Interest Expense - Lease Liabilities	422	-
Interest Expense - Superannuation	277	318
Total	**19,387**	**19,383**
Asset Revaluation Decrement		
Revaluation decrease on water infrastructure assets	191,782	246,150
Revaluation decrease on sewerage infrastructure assets	22,382	-
Total	**214,164**	**246,150**
Total Expenses	**550,189**	**554,229**

[1] Average capitalisation rate is 3.45 per cent per annum (2019: 3.94 per cent per annum.

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 accounting periods covered by the lease terms, except where an alternative basis would be more representative of the patterns of benefits to be derived from the leased property.

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.

Included in finance expenses is the Loan Guarantee Fee (LGF) which is administered by the Department of Treasury and Finance. Under Section 9 of *the Water and Sewerage Legislation (Corporate Governance and Pricing) Amendment Act 2018*, which repealed section 22 (Payment of guarantee fees) of the *Water and Sewerage Corporation Act 2012,* the Corporation ceased paying loan guarantee fees from 1 January 2019.

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

Flood event

Infrastructure assets across northern and north western Tasmania suffered significant damage due to the severe weather and flooding event in June 2016. The Corporation outlaid $5,393,961 in total since June 2016 to address the damage caused. The recovery costs were a combination of capital items $2,925,869 and operating costs $2,468,092. Total insurance recoveries were $2,991,259. The final insurance recovery was received during the 2019 financial year.

7. Income tax equivalents

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 was withdrawn from the National Tax Equivalent Regime from 1 January 2019. There were no Income tax equivalents expense on the profit for the year.

7.1 Income tax equivalents recognised in the Statement of Comprehensive Income

	2020 $'000	2019 $'000
Current tax equivalents	-	6,706
Deferred tax equivalents	-	2,994
Write off deferred tax balances	-	42,639
Total income tax equivalents expense	**-**	**52,339**
Attributable to continuing operations	**-**	**52,339**

The prima facie income tax equivalents on pre-tax accounting profit from operations reconcile to the income tax equivalents in the financial statements as follows:

Profit from continuing operations	-	(195,190)
Income tax equivalents calculated at 30%	-	(58,557)
Non-deductible expenses	-	2
Non-deductible accounting loss post 31 December 2018[1]	-	68,255
Write off deferred tax balances[1]	-	42,639
Total income tax equivalents expense	**-**	**52,339**

[1] These items have arisen due to the Corporation's withdrawal from the National Taxation Equivalent Regime from 1 January 2019.

The tax equivalent rate used in the reconciliation above is the national tax equivalent rate of 30% payable by Australian national tax equivalent entities on profits under Australian tax law.

7.2 Income tax recognised directly in equity

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

	2020 $'000	2019 $'000
Deferred tax - actuarial (gain)/loss on defined benefit scheme	-	162
Deferred tax - reversal of tax impact of prior year revaluations[1]	-	10,334
Total income tax recognised directly in equity	**-**	**10,496**

[1] These items have arisen due to the Corporation's withdrawal from the National Taxation Equivalent Regime from 1 January 2019.

7.3 Current tax equivalent assets and liabilities

Current tax equivalent liabilities comprise:

	2020 $'000	2019 $'000
Opening balance liability/(asset)	1,620	1,725
National tax equivalent payable	-	6,706
Instalments paid - in respect of prior years	(1,620)	(1,725)
Instalments paid - current year	-	(5,086)
Closing balance liability/(asset)	**-**	**1,620**

7.4 Deferred tax equivalent assets

Taxable and deductible differences arise from the following:

Due to the withdrawal from the National Tax Equivalent Regime from 1 January 2019, there are no deferred tax equivalent assets at the 30 June 2020.

30 June 2019	Opening Balance $'000	Charged to Income $'000	Charged to Equity $'000	Acquisitions/ Disposals $'000	Closing Balance $'000
Deferred tax equivalent assets					
Provisions	11,720	(11,882)	162	-	-
Tax losses	9,083	(9,083)	-	-	-
Property, plant and equipment	4,965	(15,299)	10,334	-	-
Other	9,369	(9,369)	-	-	-
Total deferred tax equivalent assets	**35,137**	**(45,633)**	**10,496**	**-**	**-**
Attributable to continuing operations	**35,137**				**-**

Recognition and measurement

Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Income tax equivalent payments were distributed to Owner Councils in accordance with the Corporation's Constitution.

8. Contributed Equity

	2020 Shares '000	2020 Amount '000	2019 Shares '000	2019 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	1,000	20,000	-	-
- share issue	1,000	20,000	1,000	20,000
Crown shares issued and fully paid	**2,000**	**40,000**	**1,000**	**20,000**
Total shares issued and fully paid	**92,000**	**1,567,814**	**91,000**	**1,547,814**
Total authorised share capital	**100,000**		**100,000**	

The Corporation has 30 shareholders, comprising 29 Councils and the Tasmanian State 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 of the payment from the State Government.

9. Dividends

On 26 February 2020, the Board of the Corporation approved the payment of an interim dividend to Councils of $8,379,626 (2019: $488,649). This interim dividend was paid on 28 February 2020.

In considering the impacts of COVID-19 on the Corporation's financial performance and the significant uncertainty that remains with respect to future impacts, the Board formed the view that the payment of additional interim and/or final dividends for the financial year was not prudent (2019: $10,000,000).

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.

10. Current assets

10.1 Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at Bank and on Hand	2,046	4,770
Total cash and cash equivalents	**2,046**	**4,770**

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

Net Loss before Income Tax Equivalents	(199,196)	(195,190)
Depreciation and Amortisation Expenses	103,971	83,888
Revaluation Decrement	214,164	246,150
Grants of Assets	(1,576)	(1,388)
Loss on Sale of Non-current Assets	1,372	1,947
Contributed Assets	(30,225)	(28,652)
Changes in assets and liabilities		
(Increase) Decrease in Receivables	18,268	(1,942)
(Increase) Decrease in Inventory	(1,709)	(803)
(Increase) Decrease in Prepayments	(311)	(532)
Increase (Decrease) in Payables	(1,048)	(4,891)
Increase (Decrease) in Employee Benefits	2,487	2,761
Increase (Decrease) in Unearned Income	(1,033)	(1,127)
Income Tax Equivalents Paid	(1,620)	(6,811)
Cash Inflows from Operating Activities	**103,544**	**93,410**

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

Cash at Bank and on Hand	**2,046**	**4,770**
Cash as per Statement of Cash Flows	**2,046**	**4,770**

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

Liabilities	30 June 2020	Opening balance $'000	Cash Flows Cash Received $'000	Cash Flows Cash Repayment $'000	Closing balance $'000
Borrowings		569,385	317,200	(306,982)	579,603

Liabilities	30 June 2019	Opening balance $'000	Cash Flows Cash Received $'000	Cash Flows Cash Repayment $'000	Closing balance $'000
Borrowings		539,218	347,000	(316,833)	569,385

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.

10.2 Receivables

	2020 $'000	2019 $'000
Current Receivables		
Contractual		
Trade receivables	25,277	32,034
Less allowance for impaired trade receivables	(9,752)	(2,906)
Unbilled water and sewerage income	4,269	11,036
Other current receivables	928	6
	20,722	**40,170**
Statutory		
GST input tax credit receivables	2,152	965
Total Current Receivables	**22,874**	**41,135**
Non-current Receivables		
Deferred payment receivables	706	713
Total Non-current Receivables	**706**	**713**
Total Receivables	**23,580**	**41,848**

An ageing analysis of receivables is provided in Note 19.4

	2020 $'000	2019 $'000
Movement in expected credit loss in trade receivables		
Opening balance	(2,906)	(2,861)
Increase in allowance	(7,832)	(1,297)
Reversal of prior year write off	-	-
Amounts written off during the year	986	1,252
Closing balance	**(9,752)**	**(2,906)**

Recognition and measurement

Contractual Receivables, such as debtors and accrued revenue 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. Settlement terms for customers range from 14 to 31 days from invoice date. Receivables include unbilled water and sewerage income.

Statutory Receivables, such as Goods and Services Tax (GST) input tax credit recoverable 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. In response to the COVID-19 pandemic and associated financial impacts, the Corporation has significantly increased its credit loss provision to reflect a higher risk of default.

Impairment of receivables is calculated as a percentage of overdue receivables balances at year end after taking into account specific customer segments with reference to past payment experience. Debts are written off when collection is no longer probable.

10.3 Inventories

	2020 $'000	2019 $'000
Stores and consumables	8,895	6,983
Less allowance for obsolete stock	(502)	(299)
Total Inventories	**8,393**	**6,684**

Recognition and measurement

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

10.4 Assets classified as held for sale

	2020 $'000	2019 $'000
Land and Vehicles	71	-
Total	**71**	**-**

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.

11. Property, plant and equipment

	2020 $'000	2019 $'000
Infrastructure assets - water		
At Fair Value	907,455	940,361
Accumulated Depreciation	(225,657)	(190,498)
Net book value	**681,798**	**749,863**
Infrastructure assets - sewerage		
At Fair Value	1,331,323	1,463,442
Accumulated Depreciation	(220,169)	(172,053)
Net book value	**1,111,154**	**1,291,389**
Freehold land		
At Fair Value	83,807	83,490
Net book value	**83,807**	**83,490**
Buildings and leasehold improvements		
At Fair Value	29,301	27,508
Accumulated Depreciation	(7,423)	(5,311)
Net book value	**21,878**	**22,197**

	2020 $'000	2019 $'000
Other Assets		
At Cost	62,771	62,729
Accumulated Depreciation	(36,836)	(32,664)
Net book value	**25,935**	**30,065**
Work in progress		
At Cost	122,772	255,702
Net book value	**122,772**	**255,702**
Total property, plant and equipment	**2,047,344**	**2,432,706**

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. 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), 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), 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	Assets under Construction at Cost	Total
Net Book Values as at 1 July 2019	749,863	1,291,389	81,904	1,586	21,259	938	30,065	255,702	2,432,706
Contributed Assets at Fair Value	16,496	13,267	-	-	-	-	-	-	29,763
Additions at Cost	1,999	3,378	-	-	-	-	36	119,933	125,346
Transfers from Work in Progress	128,052	115,133	15	523	1,010	-	8,130	(252,863)	-
Transfers between Asset Classes	12,473	(11,830)	-	-	(18)	-	(3,936)	-	(3,311)
Disposals	(1,021)	(166)	(60)	-	-	-	(785)	-	(2,032)
Revaluation increment	-	-	-	-	-	-	-	-	-
Revaluation (decrement)	(191,639)	(250,439)	-	(150)	-	(147)	-	-	(442,375)
Assets transferred to Held for Sale	-	-	(11)	-	-	-	(60)	-	(71)
Depreciation Expenses	(34,425)	(49,578)	-	-	(1,107)	(57)	(7,515)	-	(92,682)
Net Book Values as at 30 June 2020	**681,798**	**1,111,154**	**81,848**	**1,959**	**21,144**	**734**	**25,935**	**122,772**	**2,047,344**

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	Assets under Construction at Cost	Total
Net Book Values as at 1 July 2018	889,060	760,210	81,026	2,343	19,817	7,451	29,162	352,419	2,141,488
Contributed Assets at Fair Value	15,578	12,860	-	-	-	-	-	-	28,438
Additions at Cost	-	-	-	-	-	-	-	124,992	124,992
Transfers from Work in Progress	133,309	64,243	456	62	328	86	10,401	(208,885)	-
Transfers between Asset Classes	(1,854)	(4,361)	428	(423)	2,327	(6,284)	(1,387)	(12,824)	(24,378)
Disposals	(2,263)	(755)	(6)	-	-	-	(1,958)	-	(4,982)
Revaluation increment	-	488,326	-	66	-	95	-	-	488,487
Revaluation (decrement)	(245,463)	-	-	(462)	-	(225)	-	-	(246,150)
Assets transferred to Held for Sale	-	-	-	-	-	-	-	-	-
Depreciation Expenses	(38,504)	(29,134)	-	-	(1,213)	(185)	(6,153)	-	(75,189)
Net Book Values as at 30 June 2019	**749,863**	**1,291,389**	**81,904**	**1,586**	**21,259**	**938**	**30,065**	**255,702**	**2,432,706**

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 & Buildings (inclusive of leasehold improvements) are determined by independent valuers every 3 to 5 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 2016 by Jardine Lloyd Thompson Pty Ltd (JLT) using a fair value approach. The fair value measurement of the freehold land and buildings has been categorised as either Level 2 or Level 3 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 capitalised income approach was utilised where the building would be predominantly bought by investors. The building was assessed by applying a yield to the potential rental return from the building based on market evidence analysed by JLT. Where market based evidence of fair value is not applicable due to the specialised nature of an asset the depreciated replacement cost approach has been used which takes into account physical deterioration, functional, and economic obsolescence. Assets valued using the depreciated replacement cost approach have been categorised as a Level 3 value.

Infrastructure assets

Due to the specialised nature of the Corporation's infrastructure assets, fair value is determined using the income approach. This 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.

Following consideration of the range of fair values determined under this approach, the Corporation reduced the carrying value of water infrastructure assets by $191,894,789 (2019: $246,149,864) and reduced the carrying value of sewerage infrastructure assets by $250,480,677 (2019: increased by $488,486,548). These fair value adjustments are primarily due to:

- changes to the calculation of the WACC by applying a longer-term estimate for cost of equity and incremental borrowing rate over a blended risk-free rate, consistent with the approach taken by other industry participants.
- changes in estimated future cash flows for each cash generating unit (water and sewerage) including estimated future reductions in cash flows due to the impact of COVID-19

The fair value of the infrastructure assets have 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 30/06/2019	Basis for inputs 30/06/2020	Range of Sensitivities to Base Considered	Relationship of Unobservable inputs to Fair Value
Discount Rate	Real pre-tax weighted average cost of capital of 3.73% per annum. The Risk Free Rate of 2.51% was calculated as the simple averages of the 10 year Commonwealth Government bond rate over the previous 40 business days and over the last 10 years.	Real pre-tax weighted average cost of capital of 4.55% per annum. The Risk Free Rate of 2.90%* 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 29.24 applied for subsequent years	10 year discount period with a terminal value, based on a perpetuity factor of 23.53 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 2.50% to 3.50%. Fixed Sewerage Revenue Growth range 2.50% 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, incorporating nominal average cost increase of 2.38% per annum.	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average cost increase of 2.40% 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, incorporating nominal average labour cost increase of 3.00% per annum.	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average labour cost increase of 3.00% per annum.	None	The higher the nominal average labour 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 44% to 54% Sewerage Renewal range 46% to 56%	The higher the renewal capital spend, the lower the fair value.

***** the change in the risk-free rate is the main driver of the real pre-tax weighted average cost of capital year on year.

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 property, plant and equipment were measured at depreciated replacement cost, the carrying amounts at 30 June would be as follows:

As at 30 June 2020:

Asset Group $'000	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under Construction	Total
Depreciated replacement cost	1,988,258	1,925,262	65,159	37,656	85,054	122,772	4,224,161
Accumulated depreciation	(612,227)	(595,655)	-	(21,472)	(85,054)	-	(1,314,408)
Net Carrying Amount	**1,376,031**	**1,329,607**	**65,159**	**16,184**	**-**	**122,772**	**2,909,753**

As at 30 June 2019:

Asset Group $'000	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under Construction	Total
Depreciated replacement cost	1,830,259	1,805,480	64,681	36,664	81,609	255,702	4,074,395
Accumulated depreciation	(516,662)	(513,422)	-	(16,885)	(81,609)	-	(1,128,578)
Net Carrying Amount	**1,313,597**	**1,292,058**	**64,681**	**19,779**	**-**	**255,702**	**2,945,817**

The Corporation deemed cost as at 1 July 2013 to be the depreciated replacement cost as noted above. If plant and equipment were measured using the cost model, the carrying amounts at 30 June would be as follows:

As at 30 June 2020:

Asset Group $'000	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under Construction	Total
Cost	3,264,780	2,791,756	65,159	32,377	87,140	122,772	6,363,984
Accumulated depreciation	(1,888,749)	(1,462,149)	-	(16,193)	(87,140)	-	(3,454,231)
Net Carrying Amount	**1,376,031**	**1,329,607**	**65,159**	**16,184**	**-**	**122,772**	**2,909,753**

As at 30 June 2019:

Asset Group $'000	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under Construction	Total
Cost	3,106,781	2,671,974	64,681	31,385	83,695	255,702	6,214,218
Accumulated depreciation	(1,793,184)	(1,379,916)	-	(11,606)	(83,695)	-	(3,268,401)
Net Carrying Amount	**1,313,597**	**1,292,058**	**64,681**	**19,779**	**-**	**255,702**	**2,945,817**

12. Intangibles

	2020 $'000	2019 $'000
Intangibles		
At Cost	69,410	57,252
Accumulated Amortisation	(39,770)	(29,475)
Net book value	**29,640**	**27,777**
Work in progress		
At Cost	11,683	11,965
Total	**11,683**	**11,965**
Total intangibles	**41,323**	**39,742**

Movements in carrying amounts

	Intangibles $'000	Work in Progress $'000	Total $'000
Net Book Values as at 1 July 2019	27,777	11,965	39,742
Additions at Cost	-	8,839	8,839
Transfers from Work in Progress	9,121	(9,121)	-
Transfers between Asset Classes	3,311	-	3,311
Amortisation Expenses	(10,569)	-	(10,569)
Net Book Values as at 30 June 2020	**29,640**	**11,683**	**41,323**
Net Book Values as at 1 July 2018	14,252	2,642	16,894
Additions at Cost	-	7,169	7,169
Transfers from Work in Progress	10,670	(10,670)	-
Transfers between Asset Classes	11,554	12,824	24,378
Amortisation Expenses	(8,699)	-	(8,699)
Net Book Values as at 30 June 2019	**27,777**	**11,965**	**39,742**

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 ten years.

13. Right of use Assets

	2020 $'000	2019 $'000
Property		
At cost	10,280	-
Accumulated Depreciation	(694)	-
Net book value	**9,586**	**-**
Car Parking		
At Cost	47	-
Accumulated Depreciation	(11)	-
Net book value	**36**	**-**
Communication		
At Cost	103	-
Accumulated Depreciation	(15)	-
Net book value	**88**	**-**
Total right of use Assets	**9,710**	**-**

Details on right of use asset movements during the year are provided in note 16.

Recognition and measurement

The Corporation measures at cost in accordance with *AASB 16 Leases*. The Corporation has applied this standard from 1 July 2019 using the modified retrospective approach.

The right of use asset is measured at cost at the commence 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 measure the right of use asset applying the cost model.

14. Current and non-current liabilities

14.1 Payables

	2020 $'000	2019 $'000
Contractual		
Trade Creditors	9,724	5,864
Accrued Expenses	19,193	24,101
Total	**28,917**	**29,965**

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 within 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.

14.2 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.

	2020 $'000	2019 $'000
Current Borrowings	579,603	87,282
Non-current Borrowings	-	482,103
Total borrowings	**579,603**	**569,385**

The significant revaluation of the Corporation's infrastructure assets as at 30 June 2020 (refer Note 11) triggered a 'Material Adverse Change' under the Corporation's MLFA with the Tasmanian Public Finance Corporation.

The MLFA breach resulted in all borrowings being reclassified as current as at 30 June 2020, following the temporary loss in ability to defer settlement, as this breach would allow Tasmanian Public Finance Corporation to give notice for immediate repayment. Reclassification of all borrowings as current is also a requirement of Australian Accounting Standard AASB 101 – *Presentation of Financial Statements*.

On 7 August 2020, the Corporation received a 'no action' waiver from the Tasmanian Public Finance Corporation with a reinstatement of previous terms and conditions of all existing borrowings under the MLFA, including the maturity dates. Had the waiver been received on or before 30 June 2020, the Corporation would have reported current borrowings of $88,334,649 and non-current borrowings of $491,268,045.

Credit facilities

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

	2020 $'000	2019 $'000
Master loan borrowing limit - Tascorp		
Facility	711,215	625,000
Less used/committed	(579,603)	(569,385)
Unused facility	**131,612**	**55,615**
Corporate MasterCard		
Facility	300	300
Less used/committed	(13)	(49)
Unused facility	**287**	**251**

14.3 Unearned Income

	2020 $'000	2019 $'000
Current		
Government grants	1,659	1,635
Customer contributions	435	298
Other	166	124
Total current	**2,260**	**2,057**
Non-current		
Government grants	27,279	28,515
Total non-current	**27,279**	**28,515**
Total unearned income	**29,539**	**30,572**

14.4 Lease Liabilities

	2020 $'000	2019 $'000
Current	430	-
Total current	**430**	**-**
Non-current	9,239	-
Total non-current	**9,239**	**-**
Total Lease Liabilities	**9,669**	**-**

Recognition and measurement

The Corporation measures fair value in accordance with *AASB 16 Leases*. The Corporation has applied this standard from 1 July 2019 using the modified retrospective approach. 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.

14.5 Other Liabilities

	2020 $'000	2019 $'000
Current		
Provision for rehabilitation	9,005	5,806
Total current	**9,005**	**5,806**
Non-current		
Provision for rehabilitation	4,937	3,595
Total non-current	**4,937**	**3,595**
Total Other Liabilities	**13,942**	**9,401**
Movement in Provision		
Opening Balance	9,401	10,613
New provisions raised	3,313	365
Outflows during the year	(222)	(1,040)
Re-measurement	1,450	(537)
Closing Balance	**13,942**	**9,401**

Recognition and measurement

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 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.

15. Asset revaluation reserve

	2020 $'000	2019 $'000
Asset Revaluation Reserve	**294,252**	**522,831**
Movement in Reserve		
Opening Balance	522,831	24,110
Disposals - Level 2 assets	(367)	-
Revaluation decrement - Level 2 assets	-	(100)
Revaluation (decrement)/increment - Level 3 assets	(228,212)	488,487
Reversal of tax impact of prior revaluations	-	10,334
Closing Balance Asset Revaluation Reserve	**294,252**	**522,831**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets – refer to Note 11.

16. 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 2 years to 5 years however most leases of land where infrastructure property is situated is generally expected to be a minimum of 10 years 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 balance sheet:

Right of use asset at 30 June 2020	Right of use assets leased Number	Range of remaining term Years	Average remaining lease term Years	Leases with extension options Number	Leases with options to purchase Number	Leases with variable payment options Number	Leases with termination options Number
Property	15	1-29	8	11	-	-	2
Car Parking	1	2	2	1	-	-	-
Communication	1	6	6	-	-	-	-
Total	**17**			**12**	**-**	**-**	**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 2020	Opening Balance $'000	Adjustment on transition to AASB16 $'000	Additions $'000	Depreciation $'000	Impairment $'000	Closing Balance $'000
Property	9,954	-	326	(694)	-	9,586
Car Parking	47	-	-	(11)	-	36
Communication	103	-	-	(15)	-	88
Total	**10,104**	**-**	**326**	**(720)**	**-**	**9,710**

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 14.4.

At 30 June 2020 the Corporation had committed to a property lease for a two year period which had not yet commenced. The total undiscounted future cash outflows for this lease are expected to be $595,800.

The undiscounted maturity analysis of lease liabilities at 30 June 2020 is as follows:

	Minimum lease payments due								
at 30 June 2020	Within 1 $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5-10 years $'000	10-25 $'000	Over 25 $'000	Total $'000
Lease payments	832	840	858	835	793	3,366	6,724	45	14,293
Finance charges	(402)	(387)	(365)	(344)	(323)	(1,334)	(1,466)	(3)	(4,624)
Total	**430**	**453**	**493**	**491**	**470**	**2,032**	**5,258**	**42**	**9,669**

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:

	Total $'000
Short term Leases	-
Leases of low value assets	50

17. Employee benefits

	2020 $'000	2019 $'000
Current		
Annual Leave	8,699	7,627
Long Service Leave	9,651	8,157
Accrued Days Off	273	246
Defined Benefit Superannuation	560	739
Total current	**19,183**	**16,769**
Non-current		
Long Service Leave	2,859	2,871
Defined Benefit Superannuation	8,477	8,392
Total non-current	**11,336**	**11,263**
Total employee benefits	**30,519**	**28,032**

The employee benefits provision at 30 June 2020 included attributable on-costs & superannuation of $3,608,850 (2019: $3,173,449).

Defined Benefits Superannuation Plans

Statement of financial position	Quadrant		RBF		Total	
results as at 30 June – Net liability/(asset)	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current net liability/(asset)	-	-	560	739	560	739
Non-current net liability/(asset)	962	551	7,515	7,841	8,477	8,392
Total	**962**	**551**	**8,075**	**8,580**	**9,037**	**9,131**

	Quadrant		RBF		Total	
Reconciliation of Fair Value of Scheme Assets	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Fair value of plan assets at beginning of the year	14,170	14,078	1,784	1,873	15,954	15,951
Employer contributions	378	428	468	614	846	1,042
Contributions by plan participants	190	209	21	32	211	241
Taxes and expenses paid	(108)	(120)	-	-	(108)	(120)
Benefits paid	(2,100)	(1,549)	(566)	(771)	(2,666)	(2,320)
Expected return on plan assets (including interest income)	255	391	(122)	36	133	427
Expected assets at year end	**12,785**	**13,437**	**1,585**	**1,784**	**14,370**	**15,221**
Actuarial gain/(loss) on assets	(89)	733	-	-	(89)	733
Individual plan assets at year end	**12,696**	**14,170**	**1,585**	**1,784**	**14,281**	**15,954**
Actual return on plan assets	**166**	**1,124**	**(122)**	**36**	**44**	**1,160**

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

	Quadrant		RBF		Total	
Present Value of the Defined Benefit Obligations	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Present value of defined benefit obligations at beginning of the year	14,721	13,730	10,364	9,914	25,085	23,644
Current service cost	412	372	32	39	444	411
Interest cost	266	381	322	407	588	788
Contributions by plan participants	190	209	21	32	211	241
Taxes and expenses paid	(108)	(120)	-	-	(108)	(120)
Benefits paid	(2,100)	(1,549)	(566)	(771)	(2,666)	(2,320)
Expected defined benefit obligations at year end	**13,381**	**13,023**	**10,173**	**9,621**	**23,554**	**22,644**
Actuarial loss/(gain) on liabilities	277	1,698	(513)	743	(236)	2,441
Present value of defined benefit	**13,658**	**14,721**	**9,660**	**10,364**	**23,318**	**25,085**

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, Quadrant Superannuation Scheme (Quadrant) and the Retirement Benefits Fund (RBF). Quadrant was transferred into Tasplan with effect from 1 December 2015, via a successor fund transfer that leaves the Corporation’s superannuation obligations substantially unchanged.

Quadrant 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 Quadrant 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 the 30 June 2020, the Corporation’s actuaries (GM Actuaries Pty Ltd in the case of Quadrant 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 Quadrant sub-fund, the Quadrant Defined Benefits Fund. The Quadrant 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.

18. Compensation of Key Management Personnel

Directors	2020 $	2019 $
Short-Term	481,368	463,104
Post-Employment (superannuation)	45,731	43,275
Total directors	**527,099**	**506,379**
Other key management personnel		
Short-Term	2,281,106	2,503,639
Other Long-Term	103,024	56,745
Post-Employment (superannuation)	186,257	195,928
Termination Benefits	27,312	21,788
Total other key management personnel	**2,597,699**	**2,778,100**
Total compensation of key management personnel	**3,124,798**	**3,284,479**

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

19. Financial instruments

19.1 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.

19.2 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 2020 $'000	Carrying amount at 30 June 2019 $'000
Financial Assets				
Cash and cash equivalents	10.1	Amortised cost	2,046	4,770
Contractual Receivables	10.2	Amortised cost	21,428	40,883
Total			**23,474**	**45,653**
Financial Liabilities				
Payables	14.1	Amortised cost	28,917	29,965
Lease Liabilities	14.4	Amortised cost	9,669	-
Borrowings	14.2	Amortised cost	579,603	569,385
Total			**618,189**	**599,350**

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

Loans and receivables

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

Impairment of financial assets

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.

19.3 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.

	Variable interest	Fixed interest rate maturing in				Total	
	rate	<1 year	1-5 years	>5 years	Non-interest bearing	carrying amount	Weighted Average
at 30 June 2020	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Cash at Bank	2,046	-	-	-	-	2,046	0.70%
Contractual Receivables	-	-	-	-	21,428	21,428	
Total financial assets	**2,046**	**-**	**-**	**-**	**21,428**	**23,474**	
Financial Liabilities							
Payables	-	-	-	-	(28,917)	(28,917)	
Borrowings	(27,500)	(552,103)			-	(579,603)	3.34%
Total financial liabilities	**(27,500)**	**(552,103)**	**-**	**-**	**(28,917)**	**(608,520)**	
Net financial (liabilities) assets	**(25,454)**	**(552,103)**	**-**	**-**	**(7,489)**	**(585,046)**	

	Variable interest	Fixed interest rate maturing in				Total	
	rate	<1 year	1-5 years	>5 years	Non-interest bearing	carrying amount	Weighted Average
at 30 June 2019	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Cash at Bank	4,770	-	-	-	-	4,770	1.50%
Contractual Receivables	-	-	-	-	40,883	40,883	
Total financial assets	**4,770**	**-**	**-**	**-**	**40,883**	**45,653**	
Financial Liabilities							
Payables	-	-	-	-	(29,965)	(29,965)	
Borrowings	(41,000)	(46,282)	(222,103)	(260,000)	-	(569,385)	3.62%
Total financial liabilities	**(41,000)**	**(46,282)**	**(222,103)**	**(260,000)**	**(29,965)**	**(599,350)**	
Net financial (liabilities) assets	**(36,230)**	**(46,282)**	**(222,103)**	**(260,000)**	**10,918**	**(553,697)**	

The table above highlights that the Corporation's total exposure to variable interest rates at 30 June 2020 was a net liability of $25,454,279 (2019: $36,230,080).

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 0.50 per cent increase and a 0.50 per cent decrease in interest rates.

Interest Rate Sensitivity	30 June 2020 Net Profit higher/(lower) 0.5% increase $'000	30 June 2020 Net Profit higher/(lower) 0.5% decrease $'000	30 June 2019 Net Profit higher/(lower) 0.5% increase $'000	30 June 2019 Net Profit higher/(lower) 0.5% decrease $'000
Cash and Cash Equivalents	10	(10)	24	(24)
Interest Bearing Liabilities - Variable	(145)	145	(150)	150
Total	**(135)**	**135**	**(126)**	**126**

19.4 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 19.2, the Corporation's maximum exposure to credit risk at reporting date was $23,474,475 (2019: $45,652,515).

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 rating 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:

Receivables	30 June 2020 Gross $'000	30 June 2020 Impaired $'000	30 June 2019 Gross $'000	30 June 2019 Impaired $'000
Not past due	14,205	(2,946)	30,685	(793)
0 - 30 days	6,135	(1,412)	4,667	(129)
31 - 60 days	1,135	(395)	999	(49)
61 - 90 days	1,343	(550)	894	(78)
91 days and over	8,362	(4,449)	6,544	(1,857)
Total	**31,180**	**(9,752)**	**43,789**	**(2,906)**

19.5 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 $603,220,838 at 30 June 2020, its operating cash flows are strong. The deficiency in working capital is primarily due to the reclassification of all borrowings to current liabilities due to a loan covenant breach – refer note 14.2. On 7 August 2020, the Corporation received a 'no action' waiver from the Tasmanian Public Finance Corporation with a reinstatement of previous terms and conditions of all existing borrowings under the MLFA, including the maturity dates. Had the waiver been received on or before 30 June 2020, the Corporation would have reported a negative working capital position to $111,952,793. This is due to the existence of current borrowings of $88,334,649 with short-term maturities. These debt maturities will be refinanced in line with the Corporation's treasury policy which seeks to spread interest rate risk by having approximately 1/10th of the portfolio repricing on an annual basis.

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.

at 30 June 2020	3 months or less $'000	3 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	> 5 years $'000	Total $'000
Payables	28,917	-	-	-	-	28,917
Lease Liabilities	206	626	840	2,486	10,135	14,293
Borrowings	38,104	635,134				673,238
Total	**67,227**	**635,760**	**840**	**2,486**	**10,135**	**716,448**

at 30 June 2019	3 months or less $'000	3 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	> 5 years $'000	Total $'000
Payables	29,965	-	-	-	-	29,965
Lease Liabilities	-	-	-	-	-	-
Borrowings	56,888	49,545	78,013	199,786	283,591	667,823
Total	**86,853**	**49,545**	**78,013**	**199,786**	**283,591**	**697,788**

19.6 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. Should a significant foreign currency exposure arise, the Corporation is authorised to enter into a derivative instrument to limit the effect of foreign currency movements. The Corporation did not enter into any derivative instruments during the year.

19.7 Net fair value

At balance date the Corporation did not hold any financial instruments which have been measured at fair value and recognised in the Statement of Financial Position. At 30 June, the Corporation was not carrying any financial assets or liabilities which were tradeable on an active market with reference to quoted market prices. The Corporation had not entered into any derivatives or forward foreign currency contract at balance date. Accordingly, there are no financial instruments to report in the Level 1, 2 or 3 of the fair value hierarchy for 30 June.

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 2020. The fair value of financial assets and financial liabilities at year end were:

	30 June 2020		30 June 2019	
Category	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	2,046	2,046	4,770	4,770
Receivables	21,428	21,428	40,883	40,883
Total financial assets	**23,474**	**23,474**	**45,653**	**45,653**
Financial Liabilities				
Borrowings	579,603	627,404	569,385	609,898
Payables	28,917	28,917	29,965	29,965
Total financial liabilities	**608,520**	**656,321**	**599,350**	**639,863**

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 2020. Borrowings held until maturity are paid at the carrying amount.

19.8 Capital management policy

The Corporation has established a Capital Expenditure Program necessary to achieve business and regulatory objectives as outlined within the Corporation's Price and Service Plan (2018-19 to 2020-21) and Long Term Strategic Plan (2017-18 to 2036-37). The Corporation manages capital to achieve those objectives within financially prudent gearing thresholds while being mindful of providing acceptable returns to shareholders, where possible.

20. Related party disclosures

20.1 Board directors

The Board directors during the financial year ended 30 June 2020 and up to the date of this report were:

- Dr Stephen Gumley AO (Chair)
- Mr Nick Burrows
- Ms Sally Darke
- Mr Vincent (Tony) Kelly
- Mr Peter Lewinsky (term expired 29 February 2020)
- Dr Helen Locher
- Ms Joanne Pearson (appointed 1 March 2020)
- Mr Kevin Young (appointed 29 September 2019)

20.2 Key management personnel and director transactions

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

Some 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.

21. Commitments

21.1 Capital commitments

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

	2020 $'000	2019 $'000
Payments within 1 year	35,949	48,729
Payments 1 - 5 years	10,317	20,738
Payments longer than 5 years	-	-
Total capital commitments	**46,266**	**69,467**
Reconciliation of Capital Commitments		
Building and infrastructure	40,519	67,034
Plant and equipment	1,697	184
Intangibles	4,050	2,249
Other	-	-
Total capital commitments	**46,266**	**69,467**

21.2 Lessee expenditure commitments

This note is presented for comparative purposes only. The future lease commitment note has been superseded with the reporting disclosures of Lease standard AASB 16 (refer to note 16).

	2020 $'000	2019 $'000
Lease payments expensed during the period	-	1,088
Operating Lease Commitments		
Payments within 1 year	-	899
Payments 1 - 5 years	-	3,305
Payments longer than 5 years	-	1,549
Total lease expenditure commitments	**-**	**5,753**

21.3 Lessor income agreements

	2020 $'000	2019 $'000
Lease income recognised during the period	505	456
Operating Lease Commitments		
Income within 1 year	458	435
Income 1 - 5 years	1,597	1,687
Income longer than 5 years	1,278	1,525
Total lease income commitments	**3,333**	**3,647**

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

22. Contingent assets/liabilities

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

23. Remuneration of auditors

	2020 $'000	2019 $'000
Financial Statement Audit Services		
Annual external statutory audit fee	143	129
Annual external regulatory audit fee	-	19
Total	**143**	**148**

Acronyms

List of Acronyms

AAR	Audit and Risk Committee
ANCOLD	Australian National Committee on Large Dams
CDO	Capital Delivery Office
COVID-19	Coronavirus Disease 2019
CWC	Capital Works Committee
EIN	Environmental Infringement Notice
EPA	Environment Protection Authority (Tasmania)
EPH	Environment and Public Health Committee
EPN	Environmental Protection Notice
DOH	Department of Health (Tasmania)
DPIPWE	Department of Primary Industries, Parks, Water and Environment (Tasmania)
ICT	Information and Communication Technology
IDEA	Innovation Driving Everyday Actions framework
IoT	Internet of Things
LTIFR	Lost Time Injury Frequency Rate
MoU	Memorandum of Understanding
OCC	Operations Control Centre
ORG	Owners' Representatives Group
PCC	People, Culture and Community Committee
PIP	Productivity Improvement Program
STP	Sewage Treatment Plant
TER	Tasmanian Economic Regulator
TDWQG	Tasmanian Drinking Water Quality Guidelines
TRIFR	Total Recordable Injury Frequency Rate
VET	Vocational Education and Training
WSAA	Water Services Association Australia
WSCA	*Water and Sewerage Corporation Act 2012*
WTP	Water Treatment Plant

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