

Chairman's Report

On behalf of the Boards and the management of the four Tasmanian Water and Sewerage Corporations, it is my pleasure to present this inaugural report for the period ending 30 June 2009.

The *Water and Sewerage Industry Act 2008 (WSIA)* was established to protect the long-term interests of customers and to provide for the safe, environmentally responsible, efficient and sustainable provision of reliable and secure water and sewerage services to the Tasmanian community. This is our legislated purpose. To achieve this purpose, the corporations were formed under the *Water and Sewerage Corporations Act 2008 (WSCA)* and subsequently registered trading names as follows:

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited, trading as Ben Lomond Water and incorporated on 13 November 2008,

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Limited, trading as Cradle Mountain Water and incorporated on 13 November 2008,

Tasmanian Water and Sewerage Corporation (Southern Region) Pty Limited, trading as Southern Water and incorporated on 13 November 2008, and

Tasmanian Water and Sewerage Corporation (Common Services) Pty Limited, trading as Onstream and incorporated on 9 December 2008.

Each of the regional corporations is owned by the constituent councils within that region while Onstream is owned equally by the three regional corporations. These new corporations were formed to give effect to the industry restructure from 1 July 2009. However, it was necessary for each to trade in the period up to 1 July 2009 in order to facilitate the transition of all Tasmania's water and sewerage activities to the new corporations ready for 1 July 2009. This report covers that transition period.

Owner Councils in each region appointed Owners' Representatives who in turn appointed the Directors of the corporations.

The governance arrangements for the corporations are set out in the table opposite.

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Directors

**Back row (from left):
Brian Bayley, Rob Woolley,
Grant Atkins, Roger Gill**

**Middle row: Tony MacCormick,
Miles Hampton, Sarah Merridew**

**Front row: Geoff Willis,
Liz Swain, Dan Norton**



BLW	CMW	SW	ONS	AAR	SHREP	Directors
Chair	Chair	Chair	Chair	• ONS only	•	Geoff Willis B.Com., MBA, CPA , MAICD Geoff is the former CEO of Hydro Tasmania. Currently he is also Chair of Colorpak Limited, a director of Aurora Energy Pty Ltd, Chair of the Tasmanian Symphony Orchestra and a Trustee of the Tasmanian Museum and Art Gallery.
•	•	•			Chair	Brian Bayley Dip.Civ.Eng Brian is the former CEO of Melbourne Water and past Chairman of the Water Services Association of Australia (WSAA). Brian is presently a Civil Engineering Consultant and brings a portfolio of industry knowledge and change management experience to the new corporations. Brian is Chair of the respective Safety, Human Resources, Environment and Public Health Committee (SHREP) for each corporation.
•	•	•		Chair		Miles Hampton B.Ec (Hons), FAICD, FCPA, FCIS Miles is director of a number of major corporations including Australian Pharmaceutical Industries Ltd, Tasmanian Perpetual Trustees Ltd, Forestry Tasmania and The Van Diemen's Land Company. He was Managing Director of listed Tasmanian company, Roberts Ltd for 25 years and is presently Chairman of Hobart Water. Miles is the Chairman of each corporation's Audit and Risk Committee (AAR).
•	•	•		•		Dan Norton Ph.D., M.Ec, B.Ag.Science (Hons) Dan is a director of a number of major businesses, including Chair of Tasmanian Ports Corporation, Capital P&O Logistics Pty Ltd, National Electricity Market Management Company (NEMMCO) and the Menzies Research Institute. He is a director of Trinitas Pty Ltd, TFG International Pty Ltd and TFG Capital Pty Ltd. Dan is also a former Managing Director of the Hydro-Electric Corporation and Aurora Energy.
•				•		Sarah Merridew B.Ec, FAICD, FCA Sarah is a director of Tasmanian Perpetual Trustees and a number of other regional and national bodies. Sarah is also a former director of Tasmanian Public Finance Corporation and a former partner of Deloitte. She brings vast experience in finance, treasury, accounting and commercial matters to the corporations.
•					•	Liz Swain MBA, Dip. AppSci (Chemistry), Dip.Metallurgy, Grad. Dip.Business Liz is presently the Chair of Esk Water. She has a distinguished technical and management career with Rio Tinto at Bell Bay and has been recognised with a Tasmanian Business Woman of the Year award.
	•			•		Grant Atkins FLGMA, GAICD, JP Grant is a director of Dulverton Waste Management and has served on the board of the regional water authority. He has a long and successful career in local government and was General Manager of Latrobe and Kentish Councils.

					<ul style="list-style-type: none"> • Tony MacCormick B Chem Eng (Hons), Dip. Bus, FAICD Tony is Chair of Dulverton Waste Management and was former Chair of Cradle Coast Water. He has extensive experience of the water industry with Siemens Water Technologies and was a director of the Cooperative Research Centre for Waste Management.
					<ul style="list-style-type: none"> • Roger Gill B.E, MAICD Roger is a director of the Tasmanian Irrigation Development Board. He has had a long and successful career with Hydro Tasmania and was the Executive General Manager from 2004 to 2007. More recently, Roger has developed his own international hydro consulting business.
					<ul style="list-style-type: none"> • Rob Woolley B.Ec, FCA Rob is Chairman of Freycinet Coast Financial Services Limited, Tasmanian Forests and Forest Industries Council, Tasmanian Pure Foods Limited and a Director of Tandou Limited and CRC Forestry Limited. Rob is the former Managing Director of Websters Limited and a former partner of Deloitte.
					<ul style="list-style-type: none"> • Jane Bennett Ms Bennett is Managing Director of Ashgrove Cheese. She has made major contributions to the agricultural sector through the Tasmanian Rural Industry Training Board and the Tasmanian Farmers and Graziers Association. Jane is a member of the Brand Tasmania Council and has received a number of awards and scholarships, including being awarded ABC Radio's Australian Rural Woman of the Year in 1997.
					<ul style="list-style-type: none"> • Barry Cash B.Eng(Civil), Grad.Dip.Management, FAICD, MIE(Aust) Barry is the CEO of Ben Lomond Water and the former CEO of Esk Water. He has an engineering and general management background and has been involved in the Tasmanian water industry for more than 30 years.
					<ul style="list-style-type: none"> • Mike Paine B.Eng(Civil), Grad.Dip.Eng (Municipal Management), FIE(Aust), RPEQ, MAICD Mike is the CEO of Cradle Mountain Water. Mike comes to Tasmania from a career in the Victorian water industry. He is the former General Manager, Customer Services of Barwon Water and CEO of Westernport Regional Water Authority.
					<ul style="list-style-type: none"> • Danny Sutton B.A (Admin), Grad. Cert. (Business Administration), MBA. Danny is the CEO of Southern Water. He is an experienced manager in the water industry, having had several Executive Management roles at Hobart Water. He also has wide ranging experience in human resources and sales and marketing.

BLW	Ben Lomond Water
CMW	Cradle Mountain Water
SW	Southern Water
ONS	Onstream
AAR	Audit and Risk Committee
SHREP	Safety, Human Resources, Environment & Public Health Committee

The Owners' Representatives also provided each regional corporation with a Shareholders' Letter of Expectation to provide further clarity and understanding in regard to the activities expected of the corporation. As at 1 July 2009 these letters were finalised for Ben Lomond Water and Cradle Mountain Water and held in draft form for Southern Water.

In June 2009 the Board approved the Corporate Plans for each corporation and presented these Plans to the Owners' Representatives for adoption. Following discussion, clarification and refinement the Corporate Plan for each corporation has now been adopted by the Owners' Representatives in each region and forwarded to the Treasurer as required by the WSCA. The Boards regard this process as a crucial link between each corporation and its shareholders and we look forward to it being more fully developed from 2010 onwards.

Importantly, the Corporate Plans for the year ahead see each regional corporation forecasting positive cashflow, profitability and dividends, albeit that the distributions to owners are not expected to reach the priority payment threshold in year one of operations.

The Boards of the regional corporations met as a collective group together with all four Chief Executive Officers from November 2008 to April 2009 in order to jointly oversee the transition plans. Thereafter, the Boards met individually for each corporation.

I would like to thank all the Directors for their diligent commitment and flexibility in all the governance activities we have undertaken in this formative period.

I would also like to acknowledge the contribution of the nine owner representatives who played an important part in the selection and appointment of directors, the preparation of the Shareholders' Letter of Expectation and liaising with council owners.

The nine owner representatives are:

Ben Lomond Water

Mr Laurence Archer

Mr Paul Ranson

Mr Peter Kearney, Deputy Mayor West Tamar Council

Cradle Mountain Water

Mr Paul Arnold, General Manager Burnie City Council

Cr Kevin Hyland, Mayor Waratah-Wynyard Council

Ald Lynn Laycock, Mayor City of Devonport

Southern Water

Cr Graham Bury, Mayor Kingborough Council

Cr Henry Edgell, Central Highlands Council

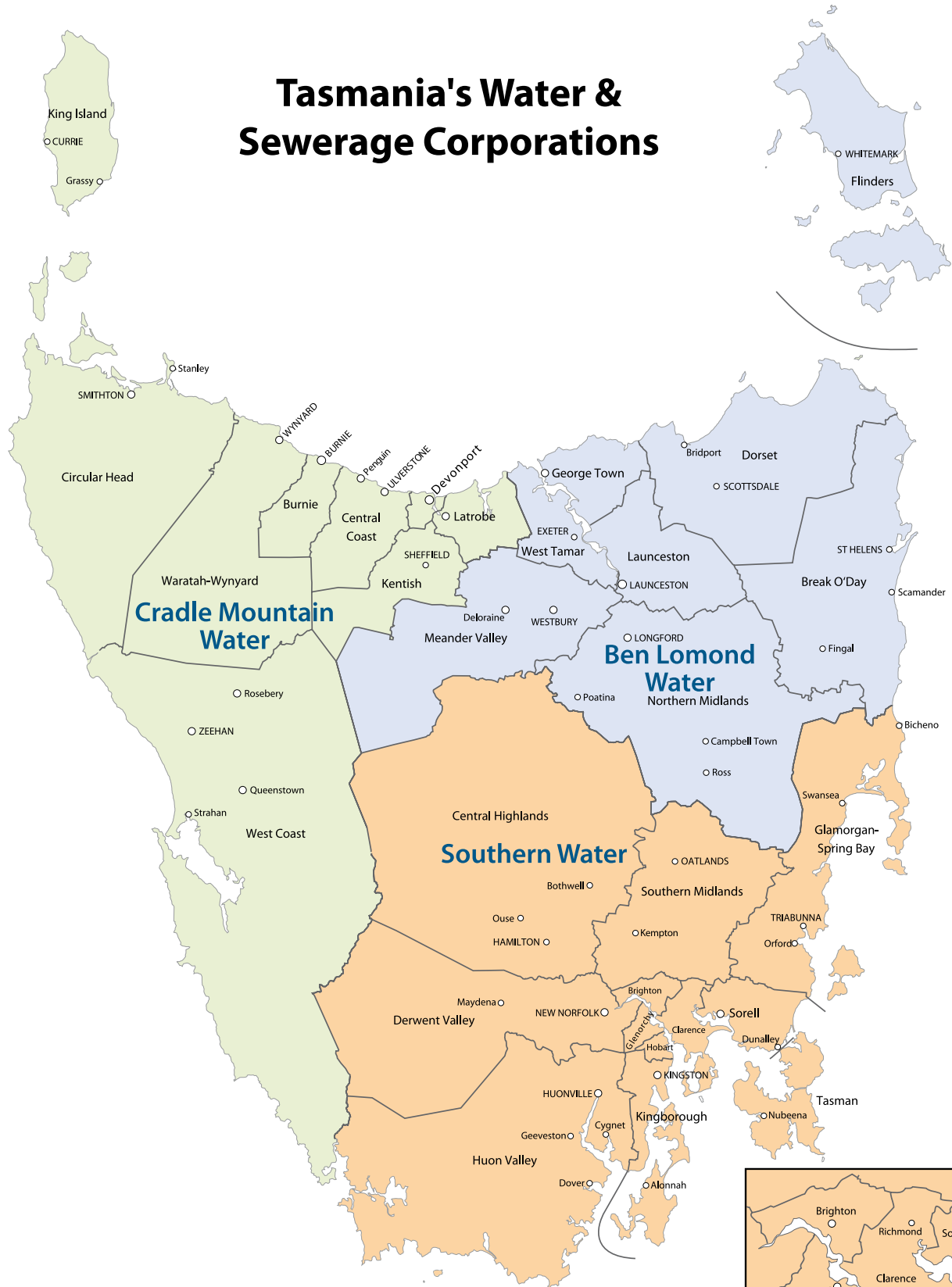
Cr Tony Foster, Mayor Brighton Council

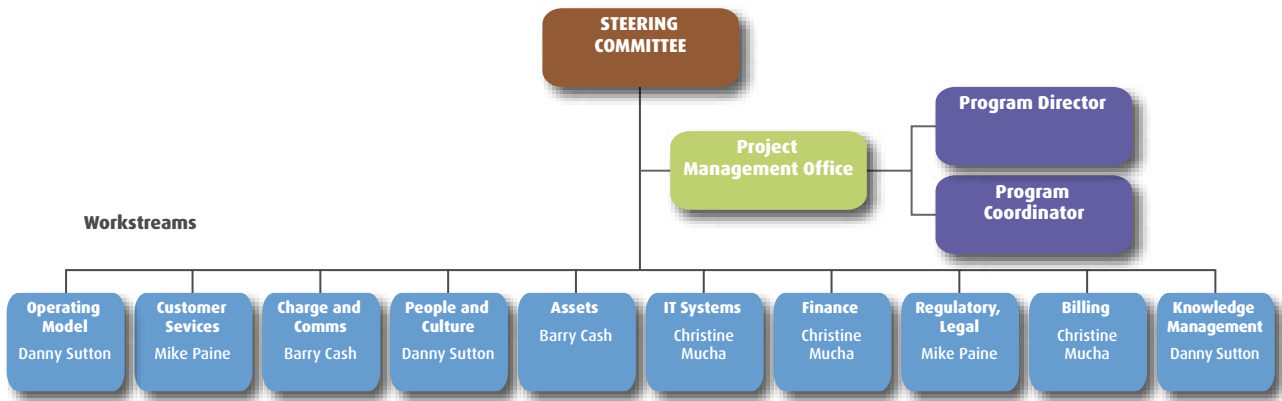
The transition work to prepare the corporations for 1 July 2009 Transfer Orders was considerable and was most ably led by CEOs Barry Cash, Mike Paine, Danny Sutton and Christine Mucha. The CEOs shared the responsibility for the transition and established clear accountabilities for all the activities that needed to be delivered.

KPMG was engaged to prepare a preliminary 'Water and Sewerage Project Transition Plan'. A Steering Committee consisting of the four CEOs and the Executive Chairman was formed and took responsibility for the finalisation and implementation of the plan.

Ten workstreams were created to manage the various aspects of the transition process (see diagram overleaf).

Tasmania's Water & Sewerage Corporations





Specialists amongst Owner Councils and the existing bulk water authorities were appointed and dedicated their efforts to a successful transition. We are very grateful for the involvement, support and encouragement provided throughout this period.

The transition costs were initially financed by short-term loans from the Local Government Association of Tasmania (LGAT) and lately from Tascorp; we record our appreciation for this timely assistance.

The transition costs were largely absorbed by Onstream for administrative simplicity and distributed in full to the regional corporations at year end. As there was no revenue from water and sewerage, the regional corporations have recorded these costs as a loss for the period to 30 June 2009 as shown in the following table:

Corporation	Net Operating Loss	
	Before Tax \$'000	After Tax \$'000
Ben Lomond Water	640	448
Cradle Mountain Water	966	676
Southern Water	1,929	1,348
Total	3,535	2,472

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The financial statements also note the net transfer of assets and liabilities to the four corporations under the Transfer Orders on 1 July 2009. These are as follows:

Corporation	\$ million
Ben Lomond Water	523
Cradle Mountain Water	319
Southern Water	883
Onstream	0.4
Total	1,725.4

Geoff Willis
Executive Chairman







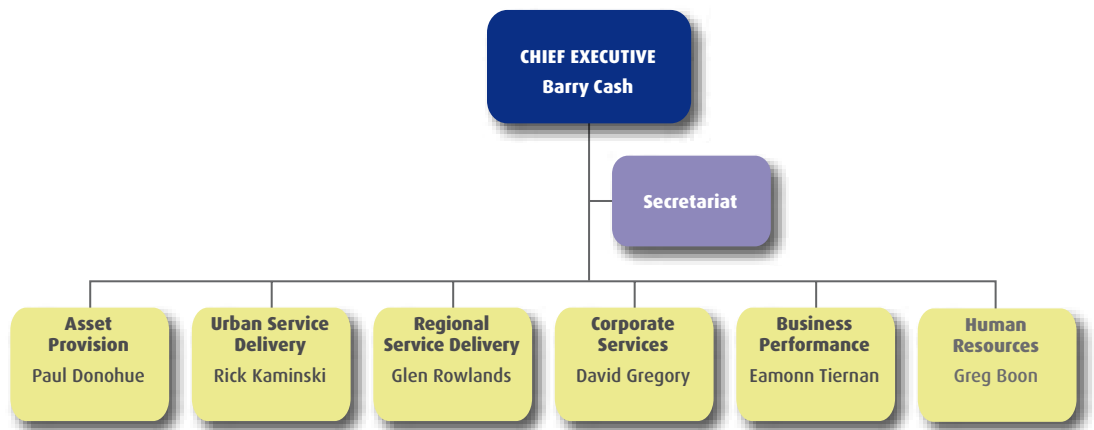
Tasmanian Water and Sewerage Corporation
(Northern Region) Pty Limited
Trading as: Ben Lomond Water
ABN 13 133 655 062

annual report

13 NOVEMBER 2008 TO 30 JUNE 2009

organisational design

One of the Workstreams established within the Transition Plan dealt with the design of the Operating Model. Part of this work related to the design of an organisational structure. With the approval of the Board each of the Chief Executive Officers then adapted that model to suit each individual business. The Ben Lomond Water organisational structure is shown below:



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A process was agreed between the Executive Chairman and Council General Managers which provided staff transferring from councils and Esk Water with the opportunity to apply for executive positions. These positions were publicly advertised once a suitable internal applicant was not available. Following this process suitable internal applicants were identified for the Corporate Services, Human Resources and Planning roles. Two senior staff applied for the Service Provision role and it was decided to separate the functions into Regional and Urban Service Delivery and both applicants were appointed. The Business Performance and Asset Provision positions were the only vacancies.

It was subsequently decided to amalgamate the Planning and Asset Provision Divisions for a trial period and hence return the structure to six divisions. During the transition phase a Program Management Office was established by the external appointment of a Program Director and the secondment of a Program Coordinator from Launceston City Council. The Program Director had significant senior experience in the water industry and was appointed to the Business Performance position.

Barry Cash





preparing for day one

The Executive Manager Human Resources and I transferred to the Corporation before 30 June. All remaining staff were to transfer on 1 July 2009. A number of processes were undertaken to ensure that the business would be operational from day 1. Negotiations were undertaken with Council General Managers with regard to assets and employees to be transferred along with the preparation of Transfer Orders by the Department of Treasury and Finance.

To assist in the smooth transfer of staff, they were brought together on three occasions for a series of forums. Each forum provided the opportunity to inform the staff about the changes being implemented; information about the management and governance structures; and to commence the cultural change process. The third of the forums was also used to begin the induction process, with an emphasis on safety.

Collectively the corporations engaged a consultant to undertake a review of health and safety practices within the industry. This review identified strengths and weaknesses within the State's water sector and provided a sound platform from which to launch the corporations' 'No Harm' Policy.

In accordance with the *Water and Sewerage Industry Act 2008*, the Minister for Primary Industry and Water issued the Corporation with an Interim Licence and the Treasurer issued an Interim Price Order. These documents, along with the successful transition process, provided the Corporation with a positive outlook and I am confident that a successful business will emerge quickly.

One of the important activities undertaken during the transition phase was the development and implementation of a public relations campaign to inform the public about the imminent changes. This included a broadly targeted media campaign incorporating television, press and radio advertising and a brochure mailed to all households along with the establishment of a temporary call centre to enable customer queries to be answered. I believe the resulting campaign was very successful with wide understanding of the new operational structure.

council support

I would like to take this opportunity to thank the Owner Councils for their tremendous support throughout the establishment process. The cooperation of the General Managers in making staff available for the Workstreams was instrumental in the successful transition process. The very positive relationship between all Council levels and the Corporation has made the start up process much smoother than it might have been. This support was particularly important given the very short transition timeframe and the huge workload undertaken. This support and cooperation has continued into the new operating year.

THE CORPORATION AT A GLANCE

OWNER COUNCILS

Launceston City Council

West Tamar Council

Meander Valley Council

Northern Midlands Council

George Town Council

Break O' Day Council

Dorset Council

Flinders Council



facilities

A property at 34-42 Charles Street, Launceston has been leased to house the administrative and engineering staff. This property, which formerly housed Centrelink, was renovated by the owner in less than two months to allow staff to take up occupation on 1 July. I am very grateful to the owner for his support in undertaking this redevelopment work in such a short timeframe.

The former Esk Water office/depot at Rocherlea has been converted to house both Service Delivery Divisions. This includes all operational staff from Esk Water and Launceston City Council.

Regional depots are yet to be developed with staff accommodated in Council facilities at George Town, Scottsdale, Longford and St Helens. However, processes were put in place to relocate all regional staff to Ben Lomond Water facilities during 2009-10.

assets

All Council owned water and sewerage assets, together with Esk Water assets and all the State Government owned fluoridation assets have been transferred to Ben Lomond Water. The water and sewerage assets also include the combined stormwater drainage assets from central Launceston. I expect that during 2009-10 other assets such as the water and sewerage schemes on Ben Lomond will also be transferred from the State.

The due diligence process undertaken by the State indicated that these assets have a written down replacement value of \$656 million. A process will be undertaken to ensure a consistent valuation for all assets during 2009-10.

staff assets

As at 1 July 157 staff (154 full time equivalents) were transferred from the Councils and Esk Water. The Government's due diligence process indicated that 194 full time equivalents had previously been managing the assets. It is expected that the staff complement will rise to around 180, which will result in an efficiency gain of almost 10%. Growth in staff numbers will occur over time to deal with a growing capital works program and to manage the increasing asset stock.



BARRY CASH
Chief Executive Officer





Tasmanian Water and Sewerage Corporation
(Northern Region) Pty Limited
Trading as: Ben Lomond Water
ABN 13 133 655 062

FINANCIAL REPORT

13 November 2008 to 30 June 2009





Directors' Report

The Directors of Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited, trading as Ben Lomond Water, present the first financial report of the Company for the financial period ended 30 June 2009. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Legislative Authority

Ben Lomond Water was formed on 13 November 2008 under the *Corporations Act 2001* and pursuant to the *Water and Sewerage Corporations Act 2008*. It is governed by the Constitution for the Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited, which is approved by the Tasmanian Parliament.

The primary purposes of the Company are:

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

Principal Activities

The principal activities of the Company during the course of the financial period were:

- the establishment of the Corporation in readiness for the commencement of the provision of water and sewerage services from 1 July 2009;
- overseeing the transfer of assets from Owner Councils, the previous northern Tasmanian water authority, Esk Water, and from the State of Tasmania.

Review of Operations

The Company reported a loss after tax of \$448,000 for the period ended 30 June 2009. This was an expected result, given that the Company was incorporated on 13 November 2008 and no revenue has been generated, as the Company did not provide water and sewerage services until 1 July 2009.

The Company did not have any cash transactions prior to 1 July 2009 and all expenditure incurred by the Company was funded by an associate company, Tasmanian Water and Sewerage Corporation (Common Services) Pty Limited, trading as Onstream.

Dividends

No dividends have been paid or declared since incorporation and the directors do not recommend the payment of a dividend in respect of the financial year.



Environmental Regulations

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

Subsequent Events

On 1 July 2009 most water and sewerage related assets, rights, borrowings and employees of Hobart Water and the eight Owner Councils were transferred to Ben Lomond Water. The amount of net assets transferred to Ben Lomond Water was approximately \$523 million. For further details, refer Note 21 to the financial statements.

Likely Future Developments

During the coming months, the Corporation will commence charging households in northern Tasmania for the supply of water and sewerage services that were previously provided by Councils. The initial transfer of assets made by Esk Water and Owner Councils on 1 July 2009 may be refined to give an accurate reflection of the value of items transferred to the Company.

Directors

The names and particulars of the directors of Ben Lomond Water during or since the end of the financial year have been provided within the Annual Report, with the names also set out in Note 16.1 of the financial statements.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial period and the number of meetings attended by each director (while they were a director or committee member). During the financial period, eight board meetings, two audit committee meetings and one Safety, Human Resources, Environment and Public Health Committee meeting were held.

Director	Board Meetings		Audit & Risk Committee		SHREP Committee*	
	Held	Attended	Held	Attended	Held	Attended
G.L. Willis (Chair)	8	8	-	-	1	1
M.L Hampton	8	7	2	2	-	-
D.T. Norton	8	8	2	2	-	-
B. Bayley	8	8	-	-	1	1
E.J. Swain	8	7**	-	-	1	1
S. Merridew	8	8	2	2	-	-

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

** Director did not attend one short formality meeting to appoint the company secretary and to resolve that all the regional corporations be members of the Common Services Corporation. An in-principle decision in this regard was taken at the inaugural November meeting of Directors designate.



REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Information about the remuneration of directors and senior management is set out in Note 15 to the financial statements.

Corporate Governance

The Board of Directors is responsible for the overall corporate governance of the Company. Corporate governance is the system by which the activities of the Company are controlled and coordinated in order for the Company to achieve its desired outcomes.

The Board performs this role by:

- Appointing and monitoring the performance of the Chief Executive Officer;
- Clearly identifying and enunciating the strategic direction for Ben Lomond Water;
- Identifying and addressing the principal risks for Ben Lomond Water;
- Monitoring the conduct and performance of the Company through an integrated framework of controls;
- Ensuring that all of Ben Lomond Water's business is conducted in an honest, open and ethical manner;
- Ensuring that adequate succession planning is undertaken.

Audit and Risk Committee

Ben Lomond Water has an Audit and Risk Committee, comprising three directors and is chaired by Director M.L. Hampton. The committee has a documented charter, approved by the Board. The committee's responsibilities under its charter include consideration and monitoring of matters relating to external reporting, risk management, internal and external audit functions.

SHREP Committee

The Safety, Human Resources, Environment and Public Health Committee (SHREP) comprises three non-executive directors and the CEO. This committee has its own charter and it is chaired by Director B. Bayley. The role of the SHREP committee is to assist the Board to fulfil its responsibilities relating to workplace health and safety, human resource management and development, employee remuneration and performance management, environmental management and compliance, and public health performance and compliance.

Indemnification of Directors and Officers

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

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



Proceedings on Behalf of the Company

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

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

Auditor's Independence Declaration

The auditor's independence declaration is included on page 21.

Rounding off of amounts

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

On behalf of the Directors

G.L. Willis
Chairman

M.L. Hampton
Director

11 August 2009

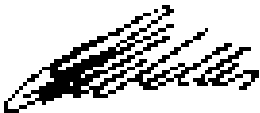
11 August 2009

FINANCIAL REPORT 13 NOVEMBER 2008 TO 30 JUNE 2009 DIRECTORS' DECLARATION

The directors declare that:

- a) The attached financial statements and notes thereto comply with accounting standards;
- b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company;
- c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth); and
- d) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- e) The directors have been given the declarations as set out in Section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the period ended 30 June 2009.

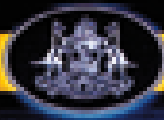
Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001* (Cth).

A black ink signature of G.L. Willis, appearing as a series of overlapping, slanted lines.

(G.L. Willis)
Chairman

A black ink signature of M.L. Hampton, appearing as a series of overlapping, slanted lines.

(M.L. Hampton)
Director



11 August 2009

The Board of Directors
Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd
Level 13
110 Collins Street
HOBART TAS 7000

Ground Floor
144-148 Macquarie Street
Hobart Tasmania 7000

Postal Address:
GPO Box 891
Hobart Tasmania 7000

Phone: 05 6226 0000
Fax: 05 6226 0099
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

Dear Board Members

Auditor's Independence Declaration

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

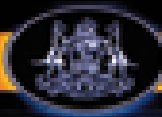
As the auditor of the financial report of the Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd for the financial period ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Pursuant to section 298(1)(c) a copy of this declaration must be included in the Directors' report.

Yours sincerely

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



INDEPENDENT AUDIT REPORT

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

Financial Report for the Period Ended 30 June 2009

Report on the Financial Report

I have audited the accompanying financial report of the Company, which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1.2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. The *Audit Act 2008* further promotes independence by:

- Providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- Mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd dated 11 August 2009 and included in the Directors' Report, would be unchanged if provided to the directors as at the date of this audit report.

Auditor's Opinion

In my opinion:

- (a) the financial report of Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd as at 30 June 2009 and its financial performance for the period ended on that date, and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.2.

TASMANIAN AUDIT OFFICE



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

HOBART
15 August 2009



Income Statement

for the period ended 30 June 2009

		13 Nov 2008 to 30 June 2009
	Notes	\$'000
Sales Revenue	2	-
Other Income from Operating Activities	2	-
Raw Materials and Consumables	3	-
Depreciation and Amortisation Expenses	3	-
Employee and Related Expenses	3	(265)
Operations and Maintenance Expenses	3	(6)
Cost of Services Provided by Onstream	3	(295)
Share of Net Profit (Loss) of Associate – equity method	20	-
Administration Expenses	3	(74)
Net Profit (Loss) before Financing Costs		<u>(640)</u>
Financial Income	2	-
Financial Expense	3	-
Net Financing Costs		<u>-</u>
Net Profit (Loss) before Income Tax Equivalent Expense		(640)
Income Tax Equivalent (Expense) Benefit	4	192
Net Profit (Loss) after Income Tax Equivalent Expense		<u><u>(448)</u></u>



Balance Sheet

as at 30 June 2009

	Notes	30 June 2009 \$'000
Current Assets		
Cash and Cash Equivalents	6.1	-
Receivables	6.2	2
Inventories	6.3	-
Pre-payments		30
Total Current Assets		<u>32</u>
Non-current Assets		
Property, Plant & Equipment	7	16
Intangibles	8	-
Net Deferred Tax Assets	4	192
Investment in Associate	20	-
Total Non-current Assets		<u>208</u>
Total Assets		<u>240</u>
Current Liabilities		
Loans and Borrowings	9.1	-
Employee Benefits	9.3	9
Payables	9.4	679
Current Tax Liability	4	-
Total Current Liabilities		<u>688</u>
Non-current Liabilities		
Loans and Borrowings	9.1	-
Employee Benefits	9.3	-
Net Deferred Tax Liabilities	4	-
Total Non-current Liabilities		<u>-</u>
Total Liabilities		<u>688</u>
Net Assets (Deficit)		<u>(448)</u>
Equity		
Retained Profits / (Accumulated Losses)	10.1	(448)
Contributed Capital	10.2	-
Asset Revaluation Reserve	10.3	-
Total Equity (Deficit)		<u>(448)</u>

The above balance sheet should be read in conjunction with the accompanying notes.



Statement of Recognised Income and Expense

for the period ended 30 June 2009

	Notes	13 Nov 2008 to 30 June 2009 \$'000
Actuarial Gain / (Loss) on Defined Benefit Plan	1.14, 11	-
Income Tax on Actuarial Gain / (Loss) taken Directly to Equity	4	-
Net Income Recognised Directly in Equity		-
Net Profit (Loss) for the period		(448)
Total recognised income and expense for the period		<u>(448)</u>



Cash Flow Statement

for the period ended 30 June 2009

	Notes	13 Nov 2008 to 30 June 2009 \$'000
Cash Flows from Operating Activities		
Receipts from Customers		-
Receipts from other Sources		-
Payments to Suppliers and Employees		-
Interest Received		-
Interest Paid		-
Income Tax Equivalents Paid		-
Net Cash from Operating Activities	17	-
Cash Flows from Investing Activities		
Payments for Property, Plant & Equipment		-
Proceeds from Sale of Property, Plant & Equipment		-
Proceeds (Payments) - Termination Financial Instruments		-
Net Cash from Investing Activities		-
Cash Flows from Financing Activities		
Equity / Shares Issued		-
Proceeds from Borrowings		-
Repayment of Borrowings		-
Dividends Paid		-
Net Cash from Financing Activities		-
Net Increase / (Decrease) in Cash and Cash Equivalents		-
Cash and Cash Equivalents at the Beginning of the Period		-
Cash and Cash Equivalents at the End of the Period	17	-

The above cash flow statement should be read in conjunction with the accompanying notes.



Notes to the Financial Statements

for the period ended 30 June 2009

1 Summary of Significant Accounting Policies

1.1 Basis of Preparation

The financial report of the Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited, trading as Ben Lomond Water, is a general-purpose financial report, which has been prepared in accordance with the *Corporations Act 2001*, relevant Australian Accounting Standards (including Australian Accounting Interpretations) as adopted by the Australian Accounting Standards Board (AASB) and other requirements of the law where applicable. The financial report is prepared on an accrual accounting basis in accordance with the historical cost convention except for certain non-current assets and financial instruments, which are at fair value. All figures unless indicated otherwise are reported in Australian dollars and rounded to the nearest thousand dollars (\$000's).

Ben Lomond Water was incorporated on 13 November 2008. No revenue has been generated by the Corporation as it did not provide water and sewerage services until 1 July 2009. The Corporation did not have any cash transactions prior to 1 July 2009 and all expenditure incurred by the Corporation was funded by an associate company, Tasmanian Water and Sewerage Corporation (Common Services) Pty Limited, trading as Onstream. Accordingly the Corporation has shown no cash flows in the Cash Flow Statement.

Set-up costs for the new Corporation, such as employee costs, consultancies, legal fees and due diligence costs, have not been capitalised, except where those costs relate directly to the purchase or creation of an asset.

Ben Lomond Water has a shared interest in Onstream, together with the Tasmanian Water and Sewerage Corporation (Southern Region) Pty Limited, trading as Southern Water, and the Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Limited, trading as Cradle Mountain Water. Each owner holds one share in Onstream, with each share attracting equal voting rights.

For the period ended 30 June 2009 it has been agreed that Ben Lomond Water and Cradle Mountain Water will each contribute 25% to the operating costs of Onstream, with Southern Water to fund 50% of the operating costs of Onstream.

As the Company has significant influence, but not control, over the financial and operating policies of Onstream, it has been deemed to be an associate company, and is accounted for using the equity method in accordance with AASB 128. For further details refer Note 20.

1.2 Statement of Compliance

The financial report comprising the financial statements and the notes thereto complies with Australian Accounting Standards including Australian Interpretations adopted by the 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 11 August 2009.

Ben Lomond Water has elected not to early adopt the following applicable accounting standards and amendments:

AASB Amendment	Affected Standards	Nature of change to accounting policy and impact	Application date of standard	Application date for Ben Lomond Water
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101 Presentation of Financial Statements.	Impact on the presentation of the income statement and statement of recognised income and expense.	1 January 2009	1 July 2009
Interpretation 17	Distribution of Non-cash Assets to Owners	No change, no impact	1 July 2009	1 July 2009
AASB 2008-13	Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distribution of Non-cash Assets to Owners [AASB 5 & AASB 110]	No change, no impact	1 July 2009	1 July 2009
Interpretation 18	Transfer of Assets from Customers	May result in revenue being recognised over the life of the corresponding asset, rather than immediately.	1 July 2009	1 July 2009



Notes to the Financial Statements

for the period ended 30 June 2009

1.2 Statement of Compliance (continued)

AASB Amendment	Affected Standards	Nature of change to accounting policy and impact	Application date of standard	Application date for Ben Lomond Water
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	Further disclosures about fair value measurements and liquidity risk	1 January 2009	1 July 2009
AASB 123	Borrowing Cost (revised June 2007) and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Possible impact if future capital projects are debt funded. Interest on such projects must be capitalised.	1 January 2009	1 July 2009

The following amendments are not applicable to Ben Lomond Water and therefore have no impact.

AASB Amendment	Affected Standards
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139]
AASB 2008-9	Amendments to AASB 1049 for consistency with AASB 101
AASB 2008-11	Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3]
AASB 2009-01	Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123]
Interpretation 15	Agreements for Construction of Real Estate
Interpretation 16	Hedges of a Net Investment in a Foreign Operation

1.3 Significant accounting judgements, estimates and assumptions

In the application of Australian International Financial Reporting Standard 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.

Fair Value of Property Plant & Equipment

Various assumptions and judgements are utilised in determining the fair value of Ben Lomond Water's property, plant and equipment including the use of indices to index asset values in the intervening years between independent valuations.

Defined benefit superannuation fund obligations

Various actuarial assumptions are utilised in the determination of Ben Lomond Water's defined benefit superannuation fund obligations. These assumptions are discussed in note 11.

1.4 Revenue Recognition

Revenues are recognised at the fair value of the consideration received, net of the amount of goods and services tax (GST) payable to the Australian Taxation Office (ATO).



Notes to the Financial Statements

for the period ended 30 June 2009

1.4 Revenue Recognition (continued)

Sale of Water

Fixed water charges are billed and recognised on a quarterly basis. Variable water sales are recognised when water is metered as passing from Ben Lomond Water'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 sales.

Sewerage Income

Fixed charges for the collection and treatment of sewerage are billed and recognised on a quarterly basis. Variable sewerage charges are recognised when waste is metered as passing from the customer to Ben Lomond Water's collection system.

Interest Income

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

Sale of Non-Current Assets

The net gain (loss) on non-current asset sales are included as income at the date the control of the asset passes to the buyer, usually at the point an unconditional written contract is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

Rental Income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

Grants

All grants are recognised as revenue when received or when the Company obtains control over the assets comprising the contributions. Grants held where the Company has not gained full control of the funds are held as deposits. Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured, and the timing of commencement of control depends upon the arrangements that exist between the grantor and the Company.

Consulting Income

Consulting income from the installation of equipment is only recognised in the income statement when the risks and rewards of ownership have transferred to the owner.

Customer Contributions

Revenue is recognised when the entity gains control of the asset and the amount of the contribution can be measured reliably.

1.5 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included.

The GST recoverable from and payable to the ATO is disclosed on a net basis as a receivable within current assets.

Cash flows receivable from customers and payable to suppliers are shown on a gross basis in the Cash Flow Statement.

1.6 Taxation

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

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

Income tax equivalent payments are distributed to Owner Councils in accordance with the *Water and Sewerage Corporation Act 2008*.

Notes to the Financial Statements

for the period ended 30 June 2009

1.6 Taxation (continued)

Deferred tax is provided using the balance sheet liability method and represents the temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial report. Deferred tax assets relating to deductible temporary differences and tax losses are only brought to account when their realisation is probable (refer note 4).

1.7 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and in banks and investments in money market instruments which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis. Cash assets are brought to account at cost.

1.8 Inventories

Chemical and spare parts stores are stated at the lower of cost or net realisable value. Water inventory is defined to be useable water in storage and is valued at the lower of cost or net realisable value. Costs, including appropriate proportions of direct and indirect overheads, are applied on a weighted average basis to water inventory on hand.

1.9 Receivables

Trade receivables are recognised at their amortised cost less an allowance for impairment losses. Doubtful debts are written off when collection is no longer probable. Trade receivables comprise residential, industrial and irrigation customers and other sundry debtors. Settlement terms for all customers are 31 days from invoice date.

1.10 Property, Plant and Equipment

(a) Construction of Property, Plant and Equipment

The cost of property, plant and equipment constructed by Ben Lomond Water includes the cost of all materials used in construction and the cost of direct labour on the project.

(b) Acquisition of Property, Plant and Equipment

Property, plant and equipment are initially recorded at the cost of acquisition. Cost is determined as the purchase value of the asset at the date of acquisition plus costs incidental to the acquisition.

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

Infrastructure assets, freehold land and buildings are carried at fair value and other assets are carried at cost in accordance with AASB 116 *Property, Plant and Equipment*. Other assets include motor vehicles, furniture, fittings, telemetry equipment and IT hardware.

Fair value of assets contributed by owners will be determined by an independent valuation of depreciated replacement cost as at 1 July 2009.

Other assets are recorded at acquisition cost. As this asset class has a relatively short asset life it was determined that the cost of revaluing this asset class was not justified and the practice of indexing the asset values did not necessarily provide relevant and reliable information.

(d) Depreciation

Depreciation of property, plant and equipment (other than land) is calculated on an individually assessed economic life using the straight-line method of depreciation, so as to write off the net cost (or previously revalued amounts) of each asset over its expected useful life. The economic lives of assets will be reassessed at 1 July 2009 in conjunction with the revaluation of assets. The economic life of property, plant and equipment is summarised as follows:

Infrastructure assets: 5 – 218 years

Buildings: 5 – 80 years

Other Assets: 2 – 50 years

(e) Subsequent Costs

Ben Lomond Water recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to Ben Lomond Water and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Notes to the Financial Statements

for the period ended 30 June 2009

1.11 Leased Plant and Equipment

Leases of plant and equipment are classified as operating leases as the lessors retain 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.

1.12 Intangible Assets

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

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

Computer software is stated at cost. This is in accordance with AASB 138 *Intangible Assets* which requires intangible assets to be valued at cost in the absence of an active market to determine fair values.

1.13 Impairment

Ben Lomond Water's assets and deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. There were no indicators of impairment at 30 June 2009.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

(a) Calculation of recoverable amount

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

Ben Lomond Water's other assets do not generate largely independent cash inflows, therefore in undertaking the impairment testing it has been determined that Ben Lomond Water assets operate as a single cash-generating unit. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

(b) Reversals of impairment

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

1.14 Employee Entitlements

(a) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date, are recognised and measured as the amount unpaid at balance date at remuneration rates expected to apply at the date of settlement, including related on-costs such as workers compensation, payroll tax and superannuation. No provision for sick leave has been recognised, as it is non-vesting.

(b) Long Service Leave

A liability for long service leave is recognised and is measured on the basis of the present value of the expected future cash outflows at balance date, including related on-costs such as workers compensation, payroll tax and superannuation. The market yields on government bonds have been used to determine the present value of the future cash flows. The classification of the liability for long service leave is on the basis that entitlements in respect of service greater than nine years are shown as a current liability.



Notes to the Financial Statements

for the period ended 30 June 2009

1.14 Employee Entitlements (continued)

(c) Superannuation

Provision is made for Ben Lomond Water's future liability for employees' superannuation entitlements under the Retirement Benefits Fund Scheme, the Public Servants Retiring and Death Allowances Scheme and the Superannuation Guarantee Charge Scheme. The provisions are fully provided for by Ben Lomond Water (refer note 11).

The provision in relation to the Retirement Benefits Fund Scheme is based on an actuarial valuation conducted by Mercer (Australia) Pty Ltd at each balance date.

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

Ben Lomond Water has provided a liability for the necessary minimum level of superannuation support in the Superannuation Guarantee Charge Scheme for past employees of the former Esk Water who are not currently members of the Retirement Benefits Fund Scheme or who have not entered into alternative superannuation arrangements. The Retirement Benefits Fund Scheme provides superannuation support to applicable employees such that no additional provision is required to be made to the Superannuation Guarantee Charge Scheme.

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

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

1.15 Loans and Borrowings

All loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost using the effective interest method.

1.16 Payables

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

1.17 Dividends Payable

Dividends payable are recognised when recommended by the Board of Directors of Ben Lomond Water. Actual payment of dividends needs approval at a meeting of the Shareholders (refer note 5).

1.18 Segment Information

Effective 1 July 2009 Ben Lomond Water owns and operates infrastructure to distribute and sell water and sewerage services to homes and businesses in northern Tasmania. The revenues earned and costs incurred are associated with the performance of the above functions and the reporting of information by business or geographical segment is not relevant.



Notes to the Financial Statements

for the period ended 30 June 2009

2. Operating Revenue

13 Nov 08 to 30 Jun 09
\$'000

Sales Revenue:	
Water	-
Sewerage	-
Other fees and charges	-
Total Sales	-
Other Income:	
Customer Contributions	-
Profit on Disposal of Property	-
Rental & Consulting Services Income	-
Total Other Operating Income	-
Financial Income:	
Interest Received - Deposits & Investments	-
Total Financial Income	-
Total Operating, Financial and Other Income	-

3. Operating Expenses

Raw Material and Consumables:	
Treatment Power Costs	-
Water Commission Rights	-
Chemicals	-
Total	-
Depreciation and Amortisation Expenses:	
Infrastructure Assets	-
Buildings	-
Other Assets	-
Intangibles	-
Total	-
Borrowing Cost Expenses:	
Debt Management Costs	-
Interest Expense - Loans	-
Total	-
Employee and Related Expenses:	
Salaries and On-Costs	234
Entitlement Provisions	16
Training and Travel	14
Other	1
Total	265
Operations and Maintenance Expenses:	
Distribution Power Costs	-
Maintenance and Planning	6
Water Sampling	-
Supporting Operating Systems & Equipment	-
Total	6



Notes to the Financial Statements

for the period ended 30 June 2009

3. Operating Expenses (continued)

13 Nov 08 to 30 Jun 09
\$'000

Cost of Services Provided by Onstream (refer note 16.3)	295
Administration Expenses:	
Community Service Obligations	-
Insurance	-
Rates and Land Tax	-
Consultancies	10
Other Property Costs	15
Information Systems	3
Loss on Disposal of Property	-
Other Administration	46
Total	<u>74</u>
Total Operating Expenses	<u>640</u>

4. Income Tax Equivalents

4.1 Income tax equivalents recognised in profit or loss

Tax expense / (income) comprises

Current tax equivalents	(181)
Deferred tax equivalents relating to the origination and reversal of temporary differences	(11)
Total income tax equivalents	<u>(192)</u>
Attributable to continuing operations	<u>(192)</u>

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

Profit from continuing operations	(640)
Profit from operations	<u>(640)</u>
Income tax equivalents calculated at 30%	(192)
Non-deductible expenses	-
Other	-
	<u>(192)</u>

The tax equivalent rate used in the above reconciliation is the national tax equivalent rate of 30% payable by Australian national tax equivalent entities on equivalent profits under Australian tax law. There has been no change in the national tax equivalent rate when compared with the previous reporting period.

4.2 Deferred tax equivalents recognised directly in equity

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

Property revaluations	-
Actuarial gain / (loss) on defined benefit plan	-
	<u>-</u>

Notes to the Financial Statements

for the period ended 30 June 2009

4. Income Tax Equivalents (continued)

4.3 Current tax equivalent assets and liabilities

30 Jun 09
\$'000

Current tax equivalent liabilities:
National tax equivalent payable

-
-

4.4 Deferred tax equivalent assets and liabilities

Deferred tax equivalent assets comprise:

Temporary differences
Tax losses - revenue

11

181

192

Deferred tax equivalent liabilities comprise:

Temporary differences

-

-

Net deferred tax equivalent assets:

192

Taxable and deductible differences arise from the following:

30 June 2009	Opening balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Closing balance \$'000
Deferred tax equivalent assets				
Property, plant & equipment	-	5	-	5
Provisions	-	3	-	3
Tax losses	-	181	-	181
Other	-	3	-	3
	-	192	-	192
Deferred tax equivalent liabilities:				
Property, plant & equipment	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Net deferred tax equivalent liabilities:	-	192	-	192
Attributable to:				
Continuing operations	-			192

Unrecognised deferred tax equivalent balances

30 Jun 09
\$'000

The following deferred tax equivalent assets/(liabilities) have not been brought to account as assets/(liabilities):

Temporary differences - Land & Buildings

-
-



Notes to the Financial Statements

for the period ended 30 June 2009

4. Income Tax Equivalents (continued)

4.4 Deferred tax equivalent assets and liabilities (continued)

The gross cumulative tax equivalent losses of \$604,183 have been brought to account as a deferred tax asset. Ben Lomond Water's carry forward losses are classified as an asset on the basis of certainty of recouping the loss at some time in the future. The deferred tax asset with respect to the cumulative loss has been utilised to reduce the deferred income tax provision liability.

This benefit for tax equivalent losses will only be obtained if:

- a) Ben Lomond Water derives future assessable tax equivalent income of a nature and amount sufficient to enable the benefit from the deduction for the tax equivalent losses to be realised;
- b) Ben Lomond Water continues to comply with the conditions for deductibility imposed by legislation; and
- c) No changes in legislation adversely affect Ben Lomond Water in realising the benefit from the deduction for the tax equivalent losses.

5. Dividends Provided for or Paid

No dividends were declared or paid during the 2008-09 financial period.

6. Current Assets

30 Jun 09
\$'000

6.1 Cash and Cash Equivalents

Cash at Bank and on Hand	-
Cash Management Account with Tascorp	-
	-
	-

6.2 Receivables

Trade Receivables	-
Net GST Receivable	2
Other Current Receivables	-
	-
	2

6.3 Inventories

Water	-
Spare Parts	-
Chemicals on Hand	-
Total	-
	-

7. Property, Plant & Equipment

Infrastructure Assets	
At Fair Value	-
Accumulated Depreciation	-
	-
	-
Freehold Land	
At Fair Value	-
	-
Buildings	
At Fair Value	-
Accumulated Depreciation	-
	-
	-



Notes to the Financial Statements

for the period ended 30 June 2009

7. Property, Plant & Equipment (continued)

30 Jun 09
\$'000

Other Assets	
At Cost	-
Accumulated Depreciation	-
	<hr/>
	-
	<hr/>
Assets Under Construction	
At Cost	16
	<hr/>
Total	<u>16</u>

The fair value of Infrastructure, Land and Buildings was determined by an independent valuation of depreciated replacement cost. Other Assets are stated at acquisition cost.

Property, Plant & Equipment - Reconciliation

Asset Group (\$'000)	Infrastructure Assets at Fair Value	Freehold Land at Fair Value	Buildings at Fair Value	Other Assets at Cost	Work in Progress at Cost	Total
Net Book Value as at 13 November 2008	-	-	-	-	-	-
Additions at cost	-	-	-	-	16	16
Transfers from Work in Progress	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Indexation	-	-	-	-	-	-
Depreciation Expenses	-	-	-	-	-	-
Net Book Value as at 30 June 2009	-	-	-	-	16	16

8. Intangibles

30 Jun 09
\$'000

Computer software	
At Cost	-
Accumulated Amortisation	-
Total	<hr/> <hr/>

Intangibles	(\$'000) at Cost
Net Book Value as at 13 November 2008	-
Additions at cost	-
Disposals	-
Amortisation Expenses	-
Net Book Value as at 30 June 2009	-

Notes to the Financial Statements

for the period ended 30 June 2009

9. Current and Non-current Liabilities

30 Jun 09
\$'000

9.1 Loans and Borrowings

Borrowings:		
Current Liabilities		-
Non-current Liabilities		-
Total Borrowings		-

9.2 Provisions

	Note	
Current:		
Employee Benefits	9.3	9
		<u>9</u>
Non-current:		
Employee Benefits	9.3	-
		<u>-</u>

Employee Benefits

Opening balance as at 13 November 2008		-
Additional provisions		9
Amounts used		-
Balance at 30 June 2009		<u>9</u>

9.3 Employee Benefits

Current:		
Annual Leave		9
Long Service Leave		-
Workers Compensation		-
Salaries and Wages		-
Defined Benefit Superannuation (refer note 11)		-
		<u>9</u>

Non-current:		
Long Service Leave		-
Defined Benefit Superannuation (refer note 11)		-
		<u>-</u>

Total ¹		<u>9</u>
--------------------	--	----------

¹ The employee benefits provision at 30 June 2009 included attributable on-costs of \$1,419.

Number of Employees at year end: 1

9.4 Payables

Trade Creditors and Accruals		679
Accrued Interest Expense		-
Total		<u>679</u>



Notes to the Financial Statements

for the period ended 30 June 2009

10. Members' Equity

Ben Lomond Water is owned by eight Councils in northern Tasmania as detailed in note 19. Each owner's share of equity will be determined effective from 1 July 2009 by its proportionate share of total net assets contributed to Ben Lomond Water. Each of the eight owners hold one share in Ben Lomond Water, with each share having equal voting rights. Each share has a value of \$1.

10.1 Retained Profits / (Accumulated Losses)	30 Jun 09 \$'000
Balance at the Beginning of Period	-
Actuarial Gain / (loss) on defined benefit plan	-
Revaluation increments (decrements) attributable to assets disposed of during the Period	-
Profit (Loss) after Income Tax Expense	(448)
Balance at the End of Period	<u>(448)</u>

10.2 Contributed Equity

Equity Contribution on Formation	-
Issued Capital ¹	<u>-</u>
	<u>-</u>

¹ Each of the eight owners hold one share with each share having equal voting rights and a value of \$1.

10.3 Asset Revaluation Reserve

Balance at the Beginning of Period	-
Indexation of property, plant & equipment	-
Revaluation of property, plant & equipment	-
Revaluation decrements (increments) attributable to assets disposed of during the Period	-
Tax effect of asset disposals and indexation	-
Balance at the End of Period	<u>-</u>

The asset revaluation reserve is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity. The reserve cannot be used to pay dividends.

11. Superannuation and Defined Benefit Plan

As at 30 June 2009 Ben Lomond Water did not have a defined benefit superannuation liability. As part of the water and sewerage reform discussed in notes 1, 20 and 21, it is expected that a defined benefit superannuation liability will be transferred to Ben Lomond Water from Esk Water and the eight Owner Councils on 1 July 2009.

12. Commitments For Expenditure

12.1 Capital Commitments

There were no capital commitments as at 30 June 2009.

Payments within 1 year	-
Payments 1 – 5 years	-
Payments longer than 5 years	-
Total	<u>-</u>

In addition to the above capital commitments of Ben Lomond Water it is expected that on 1 July 2009 further water and sewerage capital commitments will be transferred to Ben Lomond Water from Esk Water and the eight Owner Councils. At the time of finalising the financial report this information was not complete, however preliminary estimates indicate that this may be in the order of \$14.3 million.



Notes to the Financial Statements

for the period ended 30 June 2009

12. Commitments For Expenditure (continued)

12.2 Lease Commitments

30 Jun 09
\$'000

Lease payments expensed during the period	-
Operating Lease Liability	
Payments within 1 year	345
Payments 1 – 5 years	689
Payments longer than 5 years	-
Total	<u>1,034</u>

These lease commitments represent payments due on current operating leases for Ben Lomond Water's office accommodation, information technology and office equipment. The information technology lease is cancellable but incurs a penalty of the present value of future lease payments. There is no documented option to buy equipment on expiry of the lease but this is usually offered by the lessor. The office equipment lease is cancellable with no option to purchase the equipment.

13. Contingent Liabilities

Prior to 30 June 2009 an Owner Council dismissed a contractor engaged to design and construct a wastewater treatment plant, notified a dispute and considered it had a claim to be taken to arbitration to cover the cost of completing the project. The contractor subsequently took action against the Council seeking redress. This asset and any associated liabilities transferred to Ben Lomond Water on 1 July 2009 and this action is now being actively defended by Ben Lomond Water. Based on legal advice, the Directors are of the opinion that no provision is required at the time of finalising the financial report.

14. Remuneration of Auditors

\$

Audit Services - Tasmanian Audit Office:

Annual external audit fee	5,000
Costs associated with changes in transactions, systems, operations	-
Total fees, exclusive of GST	<u>5,000</u>

15. Compensation of Key Management Personnel

\$

Directors

Short-Term	114,037
Post Employment (superannuation)	10,264
Other Long-Term	-
Termination Benefits	-

Other Key Management Personnel

Short-Term	89,334
Post Employment (superannuation)	8,462
Other Long-Term	-
Termination Benefits	-
	<u>222,097</u>

The number of directors and key management personnel included within the compensation total noted above are shown below in their respective income bands:



Notes to the Financial Statements

for the period ended 30 June 2009

15. Compensation of Key Management Personnel (continued)

Remuneration	Directors' Remuneration		Other Key Management Personnel Remuneration	
	Total 30-Jun-09 Number	Base 30-Jun-09 Number	Total 30-Jun-09 Number	Base 30-Jun-09 Number
\$0-\$9,999	-	-	-	-
\$10,000-\$19,999	5	5	1	1
\$20,000-\$29,999	-	-	-	-
\$30,000-\$39,999	-	-	-	-
\$40,000-\$49,999	1	1	-	-
\$50,000-\$59,999	-	-	-	-
\$60,000-\$69,999	-	-	-	-
\$70,000-\$79,999	-	-	-	1
\$80,000-\$89,999	-	-	1	-
	<u>6</u>	<u>6</u>	<u>2</u>	<u>2</u>

Base remuneration represents gross salary. Total remuneration includes superannuation.

16. Related Party Disclosures

16.1 Board Directors

The Board Directors during the financial period ended 30 June 2009 were:

- G.L. Willis (Chairman)
- M.L. Hampton
- D.T. Norton
- B. Bayley
- E.J. Swain
- S. Merridew

The remuneration of the Board of Directors is detailed in note 15.

16.2 Transactions with Director Related Parties

Energy services were provided to Ben Lomond Water by Aurora Energy Pty Ltd, of which G.L. Willis is a director.

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



Notes to the Financial Statements

for the period ended 30 June 2009

16. Related Party Disclosures (continued)

16.3 Transactions with Other Related Parties

Ben Lomond Water owns a one third share in Tasmanian Water and Sewerage Corporation (Common Services) Pty Limited, trading as Onstream. Onstream provides various services to Ben Lomond Water including information technology, payroll, accounts payable, billing and revenue collection. Refer to Note 20 for financial information of the investment in this associate. Transactions were not conducted on an "arm's length" basis as the owner corporations were involved in the setting of prices and prices were only charged on a cost recovery basis. All services are charged monthly with settlement within 31 days. Total purchases (exclusive of GST) and amounts payable were:

	30 Jun 09 \$'000
Purchases for the period ended	295
Accounts Payable	530

Ben Lomond Water is owned by eight Councils in northern Tasmania as detailed in note 19. The Councils make payments to Ben Lomond Water for water and sewerage services and other miscellaneous services. Transactions are on an arm's length basis in the normal course of business and on commercial terms and conditions.

Sales for the year ended 30 June 2009	Water & Sewerage Sales \$'000	Other Services \$'000	Amount Receivable as at 30 Jun 09 \$'000
Break O'Day Council	-	-	-
Dorset Council	-	-	-
Flinders Council	-	-	-
George Town Council	-	-	-
Launceston City Council	-	-	-
Meander Valley Council	-	-	-
Northern Midlands Council	-	-	-
West Tamar Council	-	-	-

Ben Lomond Water makes payments to the Councils for rates, Community Service Obligation contributions and other miscellaneous services. Transactions are on an arm's length basis in the normal course of business and on commercial terms and conditions.

Purchases for the year ended 30 June 2009	Council Rates \$'000	Other Council Services \$'000	Amount Payable as at 30 Jun 09 \$'000
Break O'Day Council	-	-	-
Dorset Council	-	-	-
Flinders Council	-	-	-
George Town Council	-	-	-
Launceston City Council	-	-	-
Meander Valley Council	-	-	-
Northern Midlands Council	-	-	-
West Tamar Council	-	-	-



Notes to the Financial Statements

for the period ended 30 June 2009

17. Cash Flow Statement

Ben Lomond Water did not have any cash transactions prior to 1 July 2009 with all expenditure incurred by Ben Lomond Water funded by an associate company, Tasmanian Water and Sewerage Corporation (Common Services) Pty Limited, trading as Onstream. Accordingly Ben Lomond Water has shown no cash flows in the Cash Flow Statement.

17.1 Reconciliation of Net Cash Flow From Operating Activities to Operating Result	30 Jun 09 \$'000
Net Loss before Income Tax Equivalents	(640)
Add (Less) Non-Cash Items:	
Depreciation and Amortisation Expense	-
Loss (Profit) on Sale of Non-current Assets	-
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(2)
(Increase) Decrease in Stores	-
(Increase) Decrease in Water Inventory	-
(Increase) Decrease in Prepayments	(30)
Increase (Decrease) in Payables	663
Increase (Decrease) in Employee Benefits	9
Income Tax Paid	-
Cash Flows from Operating Activities	<u>-</u>
17.2 Reconciliation of Cash and Cash Equivalents	
Cash Management Account with Tascorp	-
Cash at Bank and on Hand	-
Cash as per Cash Flow Statement	<u>-</u>

18. Financial Instruments

18.1 Significant Accounting Policies

Details of significant accounting policies and methods adopted in the recognition and measurement with respect to each class of financial assets and liabilities are included under notes 1.7, 1.9, 1.15 and 1.16.

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

Financial Assets

Held-to-maturity Investments	-
Receivables	2

Financial Liabilities

Amortised Cost	679
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Notes to the Financial Statements

for the period ended 30 June 2009

18. Financial Instruments (continued)

18.2 Interest Rate Risk

The objectives of Ben Lomond Water's interest rate risk management policy are to contain the potential adverse financial impact from unfavourable movements in interest rates and to capture the potential for reducing costs by management of Ben Lomond Water's debt. This is measured by the impact on accounting interest costs and market value of the debt portfolio.

As highlighted in the following table Ben Lomond Water had no exposure to variable interest rates at 30 June 2009.

As at 30 June 2009	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest rate
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000			
Financial Assets							
Cash at Bank	-	-	-	-	-	-	0.00%
Cash Management Account	-	-	-	-	-	-	0.00%
Receivables	-	-	-	-	2	2	-
Total	-	-	-	-	2	2	-
Financial Liabilities							
Borrowings - Bank Loans	-	-	-	-	-	-	0.00%
Payables	-	-	-	-	679	679	-
Total	-	-	-	-	679	679	-
Net Financial (Liabilities)/Assets	-	-	-	-	(677)	(677)	

18.3 Credit Risk

Exposure to credit risk arises from the potential default of a counter party, with respect to Ben Lomond Water's financial assets. Financial assets include cash and cash equivalents, trade and other receivables and derivative instruments. As identified in note 18.2, Ben Lomond Water's maximum exposure to credit risk at reporting date was \$0.002 million.

Ben Lomond Water's credit risk management policy minimises credit risk through limiting exposure to individual creditworthy counterparties, identifying credit exposure from financial instrument transactions and maintaining capital usage limits. The total credit exposure is also limited to a notional allocation of Ben Lomond Water's capital base.

All receivable balances are monitored on an ongoing basis with the result that Ben Lomond Water's exposure to bad debts is not significant. The ageing of Ben Lomond Water's receivables at the reporting date was:

	Gross \$'000 30 Jun 09	Impaired \$'000 30 Jun 09
Not past due	2	-
Past due 0-30 days	-	-
Past due 31-90 days	-	-
More than 90 days	-	-
Total	2	-



Notes to the Financial Statements

for the period ended 30 June 2009

18. Financial Instruments (continued)

18.4 Liquidity Risk

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

The following table identifies the contractual maturities of financial liabilities at reporting date:

As at 30 June 2009	3 months or less \$'000	3-12 months \$'000	1-2 years \$'000	2-5 years \$'000	> 5 years \$'000
Borrowings - Bank Loans	-	-	-	-	-
Payables	679	-	-	-	-
Total	679	-	-	-	-

18.5 Net Fair Value

The carrying amounts and net fair values of financial assets and liabilities at 30 June 2009 are as follows:

Category	Total carrying amount per the balance sheet \$'000	Aggregate net fair value \$'000
	30 Jun 09	30 Jun 09
Financial Assets		
Cash at Bank	-	-
Cash Management Account	-	-
Receivables	2	2
Total	2	2
Financial Liabilities		
Borrowings	-	-
Payables	679	679
Total	679	679

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 due to the short-term nature of the instrument;

Receivables, Trade Creditors & Accruals - the carrying amount approximates fair value; and

Borrowings - are carried at settlement values which are less than net fair value due to market rate sensitivity of the debt portfolio as at 30 June 2009. Loans held until maturity are paid at the carrying amount.

19. Controlling Entities

Ben Lomond Water operates as an entity under the *Corporation Act 2001* and in accordance with the *Water and Sewerage Corporations Act 2008 (WSCA)* and the *Water and Sewerage Industry Act 2008 (WSIA)*. Ben Lomond Water is owned by the following eight Councils in northern Tasmania: Break O'Day Council, Dorset Council, Flinders Council, George Town Council, Launceston City Council, Meander Valley Council, Northern Midlands Council and West Tamar Council.



Notes to the Financial Statements

for the period ended 30 June 2009

20. Investment in Associate

Investments in Associates are accounted for using the equity method, in accordance with AASB 128 and are initially recognised at cost.

The Company's share of profits or losses of the Associate is recognised in its income statement, with an equivalent adjustment to the carrying value of the investment. The Company's share of movements in the Associate's equity that has not been recognised in the Associate's profit or loss is recognised directly in equity.

On 9 December 2008 Ben Lomond Water was issued one of three shares in Tasmanian Water and Sewerage Corporation (Common Services) Pty Limited, trading as Onstream. The other two shares are owned by Tasmanian Water and Sewerage Corporation (Southern Region) Pty Limited, trading as Southern Water and Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Limited, trading as Cradle Mountain Water. All ordinary shares shall rank *pari passu* in all respects, except for the dividend rights attaching to the shares. Onstream provides various services to all three owners including information technology, payroll, accounts payable, billing and revenue collection. For details on the costs of these services, refer Note 16.3.

The following table shows summarised financial information for Onstream, together with a reconciliation of movements in the carrying amount of Ben Lomond Water's investment. Onstream figures are for the same year end date as the Company's accounts.

Summarised financial information of Onstream	30 Jun 09 \$'000
Revenue	1,678
Profit (loss) before income tax	-
Income tax equivalents expense	-
Profit (loss) after income tax	-
Company's share of profit (loss) before tax	-
Company's share of income tax equivalents expense	-
Company's share of profit (loss) after tax	-
Assets	4,702
Liabilities	(4,702)
Net Assets	-
Reconciliation of carrying amount of investment	
Carrying amount at beginning of the period	-
Share of surplus / (deficit) for the period	-
Carrying amount at end of the period	-

21. Subsequent Events

On 1 July 2009 most water and sewerage related assets, rights, borrowings and employees of Esk Water and the eight Owner Councils listed in note 19 were transferred to Ben Lomond Water. At the time of finalising the annual report, the details of the "transfer orders" and the associated balance sheets of the relevant parties had not been completed. The amount of net assets transferred to Ben Lomond Water is estimated based on independent due diligence to be approximately \$523 million and comprises:

	\$ Million
Cash	20
Property, Plant & Equipment	656
Borrowings	(21)
Employee Provisions	(5)
Net Deferred Tax Liability	(127)
	523