

Tasmanian Irrigation

Annual Report
2018/19



Projects Partnerships Prosperity

Tasmanian Irrigation Pty Ltd

ABN 95 722 799 075

Tasmanian Irrigation 2018/19 Annual Report

October 2019

Tasmanian Irrigation Pty Ltd is a State-Owned Company,
incorporated and operated in Australia.

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Tasmanian
Irrigation



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*"Working with Tasmanian farmers to optimise their earning potential
and enhance regional development."*

Our Company.

Tasmanian Irrigation Pty Ltd is a State-Owned Company that develops, owns and operates irrigation schemes in Tasmania and where feasible and appropriate, to facilitate local community management of these schemes.

The Company is recognised for its proven ability to deliver complex infrastructure projects to enable farmers to diversify, value add and expand their agricultural businesses.

Tasmanian Irrigation plays a critical role in assisting the State Government to achieve its target of increasing the value of Tasmania's agricultural sector to \$10 billion a year by 2050.

We develop and operate irrigation schemes that are economically viable, environmentally sustainable and have strong endorsement from the community.

All schemes developed by Tasmanian Irrigation are designed to last at least 100 years and deliver water at an average reliability of more than 95 per cent.

With an increased level of operational responsibility, Tasmanian Irrigation continues to transition the focus of the organisation from developing and building irrigation schemes to working in partnership with local communities and irrigators to manage the delivery of water.

Tasmanian Irrigation has two shareholders—the State's Minister for Primary Industries and Water, and the Treasurer.

VISION

"To be a provider of reliable, cost-effective water facilitating diverse agricultural activities, growing the Tasmanian economy while conserving our natural assets."



Our Chairman.

2018/19 has been a year of consolidation and collaboration for Tasmanian Irrigation, ensuring the Company is strategically positioned to best plan and construct a further tranche of irrigation projects, better manage the delivery of water to farmers and enhance our levels of engagement with irrigator communities and other key stakeholders.

We continue to be delighted by the feedback we receive from farmers around Tasmania who inform us how life-changing the supply of reliable irrigation water has been for their businesses, their families and their communities.

Some have diversified from traditional grazing enterprises to high-value crops. Others have dramatically increased their pasture production. Many have shared how risk has been minimised in their business models – especially in years of extreme weather conditions such as the dry summer in 2015/16.

This level of enthusiasm, passion and gratitude for Tasmania's irrigation capabilities is what drives us to focus on new opportunities to design, build and manage world-class irrigation projects.

We continue to be committed to assisting the State Government to achieve its target of increasing the value of Tasmania's agricultural sector to \$10 billion a year by 2050.

Tasmanian Irrigation successfully constructed 10 irrigation projects as part of Tranche One, and a further four (plus another under construction) as part of Tranche Two.



These schemes have the capacity to deliver more than 150,000 ML of high-reliability irrigation water to Tasmanian farmers.

In 2019 we officially opened the Duck Irrigation Scheme (delivering 5200 ML of water in the Smithton region); the North Esk Irrigation Scheme (delivering water to about 57 farmers in the Evandale, Nile, White Hills and Relbia areas); and the Swan Irrigation Scheme (delivering 2000 ML of water to farmers north of Swansea on the East Coast).

Tasmanian Irrigation prepared strong business cases for proposed Tranche Three irrigation projects, known as Pipeline to Prosperity.

We are extremely thankful to the Tasmanian and Australian Governments for the commitment of \$170 million to enable the first phase of Tranche Three, as well as additional planning on a further five projects as part of the second phase.



The five projects currently being assessed as part of phase one of Tranche Three are: Don; Northern Midlands; Tamar; Fingal and the Sassafras Wesley Vale Irrigation Scheme Augmentation.

In the last four months of this reporting period, community meetings have been coordinated at Don, Northern Midlands and Fingal. Working groups consisting of volunteer local representatives have been formed to enhance two-way community engagement.

As part of Tasmanian Irrigation's unique public / private funding model, we will now work closely with farmers to finalise the Expression of Interest period to determine the final demand for water and level of financial commitment that will be made from landowners and investors.

This will enable Tasmanian Irrigation to focus on understanding the hydrology of various rivers in each region to establish the reliability of the water available in each system and then determine the overall scheme design.

Strong partnerships with our irrigator communities to best deliver sustainable projects of value remain the priority focus of our Tasmanian Irrigation team.

I sincerely thank my fellow Tasmanian Irrigation Board Directors for their support and expertise, as well as CEO Andrew Kneebone, his Senior Leadership Team and all TI employees for their ongoing commitment to excellence.

I also acknowledge our Shareholder Ministers for recognising the vital contribution irrigation makes to growing our agricultural industries, creating jobs and enhancing our regional economies.

I am extremely confident that Tasmanian Irrigation is ideally positioned to deliver the next exciting tranche of irrigation projects for Tasmania, as well as manage the completed irrigation projects and continue to investigate self-managed scheme opportunities.

Samantha Hogg

CHAIRMAN

"I am incredibly proud of the Tasmanian Irrigation team's achievements in planning, building and managing complex irrigation projects that enable Tasmanian farmers to diversify and grow".

Our Chief Executive Officer.

Since joining the Tasmanian Irrigation team as the General Manager Water Delivery and Infrastructure in June 2018, I have been very impressed by the level of commitment of our State and Federal Governments, our irrigators, our communities and the TI team to operating and constructing irrigation projects that deliver real outcomes for Tasmania.

I am delighted that the Tasmanian Irrigation Board has placed their trust in me as the new Chief Executive Officer to lead the TI team. I am looking forward to continuing to develop our partnership approach by working closely with our irrigator communities to understand their needs and how TI can better work with them to deliver the products and surety to grow their agribusinesses.

This will occur while also working through the next exciting phase of planning and constructing the Tranche Three irrigation projects.

TI's past and future success has been and will continue to be built on our commitment to working in partnership with our irrigators and the State and Federal Governments for the betterment of the overall Tasmanian economy.

Tasmanian Irrigation has now delivered 14 irrigation projects as part of Tranche One and Tranche Two, with the final scheme at Scottsdale under construction and on track for the first water to flow in early 2020.



In the past year we have commissioned and delivered water for the first time in the Duck and North Esk schemes. I am also proud that we delivered water in the Swan Scheme for the first time this year, assisting irrigators on the East Coast who have been managing ongoing dry conditions.

It has been a very busy year finalising the Pipeline to Prosperity (Tranche Three) submission to Infrastructure Australia and the associated funding Expression of Interest to the National Water Infrastructure Development Fund for the first five projects of Tranche Three (phase one).

The Tasmanian Government has now committed \$70 million and the Australian Government \$100 million to these projects.

"Tasmanian Irrigation is entering a new phase of partnering, efficiency, focus and engagement as we progress the third tranche of irrigation projects".



This again demonstrates the significance of the partnership approach, as well as the value of irrigation to underwriting the agricultural sectors' potential in Tasmania. We acknowledge and thank the Tasmanian and Australian Governments for their ongoing support of TI.

We are now busily engaging with irrigator communities to construct the next five irrigation projects, as well as continuing to plan a further five.

There have been many learnings for Tasmanian Irrigation during the past 12 months, enabling the Company to continue to grow and strengthen, support our irrigators and deliver the service they require whilst developing and constructing the next round of irrigation projects.

A number of key recommendations were made by the Legislative Council Select Committee Final Report on Tasmanian Irrigation and I am pleased that as an organisation, we have embraced this advice to better position our services and underpin our sustainability.

As CEO, I have identified six priorities as part of my commitment to a journey of continuous improvement for TI:

-Safety: Tasmanian Irrigation has a target of zero Lost Time Injuries and we will be working cooperatively to take responsibility of our own actions, as well as those of our colleagues and contractors, to prevent injuries and save lives;

-Customers: Our irrigators are our number one priority and we will be assessing a new range of engagement and operational commitments to better understand and service our current and future customers;

-People: I am here to listen, learn, support, mentor, encourage and challenge so we set, plan and achieve our agreed vision and objectives. I am focused on enhancing a team and values based, positive, engaged, safe, happy, performance-driven and customer-centric culture within our organisation;

-Communication: I am committed to open and transparent two-way communication with all TI team members, as well as better engaging with our irrigator communities and other key stakeholders;

-On-going funding: I am delighted that the Tasmanian and Australian Governments have committed \$170 million toward the first five projects in phase one of the Tranche Three Pipeline to Prosperity program, as well as additional planning on a further five projects as part of the second phase;

-Simplification: I am committed to finding innovative ways of ensuring the way we do business is not complicated by unnecessary steps that add time, cost and resource pressures to our every-day tasks, as well as better managing direct and indirect water delivery costs.



We have a relatively small team of employees, but each team member is extremely focused, skilled, innovative and committed to delivering first-class irrigation projects that all Tasmanians can be proud of. I sincerely thank all TI employees for their dedication, support and ongoing commitment.

I especially wish to thank the members of the Senior Leadership Team, many of whom stepped up and took on additional responsibilities throughout the year.

In June, TI lost one of our longer serving employees to a battle with cancer.

Pete Rand served the South East schemes with great enthusiasm and diligence and made a huge difference to TI and everyone that he came in contact with. We miss Peter greatly and thank him for all he did for TI and our customers. Vale Pete Rand.

I also thank the Tasmanian Irrigation Board and look forward to working closely with you on the next exciting chapter at Tasmanian Irrigation as we consolidate, engage, commit and collaborate to continue to build our partnership approach and support the growth of agriculture in Tasmania.

Andrew Kneebone

CHIEF EXECUTIVE OFFICER

Highlights of 2018/19.



A further three Tranche Two irrigation projects were completed and delivered water for the first time — the Duck, the North Esk and the Swan Valley

Final Tranche Two project (Scottsdale) is on schedule for first irrigation water to flow in early 2020



\$170 million in Federal and State funds committed toward Tranche Three irrigation projects

Operational entitlements increased to 123,323 ML for in-season supply



More than 750 hours of training delivered —a 50 per cent increase on the previous year

10,000 new irrigator rights issued



First employee achieves 10 years of service

Performance Targets 2018/19.

Tasmanian Irrigation measures its performance against a range of agreed targets that are published in an annual Statement of Corporate Intent. The table below summarises Tasmanian Irrigation's actual performance against key agreed measures and targets for 2018/19:

Key Performance Indicator	Target 2018/19	Actual 2018/19	Comments
Water entitlements available for delivery at season commencement	100%	100%	All irrigation schemes with issued entitlements opened with 100% allocation percentages, allowing irrigators access to full entitlement during the season. Swan, Duck and North Esk schemes were provided water on a general availability basis, not under entitlement contracts and declared irrigation seasons.
Post construction water sales	612 ML	1600 ML	For operational irrigation schemes, actual water entitlement sales exceeded the target significantly. This was largely due to a significant water sale in the Whitemore Irrigation Scheme.
Cost per water entitlement sold	\$20.74	\$19.96	Cost of overheads allocated to the schemes is less than the target.
Irrigation scheme fixed revenue (excl. asset renewal) / direct irrigation scheme fixed expense (excl. asset renewal)	145.89%	149%	The over recovery of direct fixed costs for the schemes provides a contribution to the indirect costs allocated to the schemes. Any over recovery is retained within scheme working capital. TI sets the fixed pricing with an aim for the schemes to break even.
Irrigation scheme variable revenue (incl. Midlands Power Station revenue) / irrigation scheme variable expenses	95%	113%	Variable revenue exceeds the variable costs for the year. The primary contribution is the provision of general availability water to newly commissioned schemes. General availability charges recover fixed and variable cost. Excluding the newly operational schemes, the actual variable revenue over variable expenses is 108%. Any over recovery is retained within scheme working capital.
Budget delivery (schemes developed within budget)	100%	100%	All schemes commissioned in the financial year were completed within the approved development / construction budget.
Compliance with environmental permits and approvals	100%	100%	TI complied with all environmental permits and approvals during the period.
Lost Time Injuries	0	3	Two contractors and one TI employee recorded low impact LTIs, including two slips and one bee sting.

Statement of Corporate Intent.

Strategic Direction

Tasmanian Irrigation Pty Ltd (Tasmanian Irrigation) is a State-Owned Company established by an Act of the Tasmanian Parliament.

The principal purpose of Tasmanian Irrigation, as outlined in the Members' Statement of Expectation prepared by the Shareholding Ministers, is:

To develop, own and operate irrigation schemes in Tasmania and where feasible and appropriate, to facilitate local community management of these schemes.

The strategic expectations, as outlined in the Members' Statement of Expectation, are:

- Support the Tasmanian Government's AgriVision 2050 goals through the provision of new irrigation schemes and interconnectivity or enhancement of existing schemes, facilitating increased agricultural productivity and agricultural production options;
- Transition the business to a self-sustainable, customer-focused and cost-efficient irrigation operation business ensuring the business is able to operate on a stand-alone basis following the completion of all irrigation developments (in accordance with Clause 4.2);
- Have regard to the Tasmanian Government's obligations under the Council of Australian Government's (COAG) agreements concerning the water industry;
- Ensure activities are consistent with the Tasmanian Government's obligations under the National Water initiative; and
- Ensure that relevant processes and practices are in place to facilitate a market for trading water rights.



Statement of Corporate Intent.

The Core Business of Tasmanian Irrigation, as outlined in the Members' Statement of Expectation, is to:

- Prudently, efficiently and responsibly manage existing irrigation schemes, as well as river improvement and drainage schemes on a commercial basis, including identifying appropriate long-term management structures;
- Retain ownership of irrigation scheme infrastructure;
- Manage irrigation scheme infrastructure appropriately and provide, on a commercial basis, administrative and management support to schemes owned by Tasmanian Irrigation and managed by local communities;
- Subject to Clause 4.2, investigate and report on the viability of potential irrigation projects, to ensure that the Tasmanian Government makes the best use of limited financial and water resources;
- Maintain water rights registers for each scheme and maintain and report relevant water use information in accordance with legislative and policy requirements;
- Own and operate according to sound commercial practice mini hydro power stations where approved as part of an irrigation scheme business plan;
- Monitor and manage compliance with the licences and permits that apply to Tasmanian Irrigation schemes;
- Assist the development of privately-funded irrigation schemes, on a commercial basis, as directed by the Tasmanian Government, and where applicable, in accordance with the National Competition Policy Competitive Neutrality Principles;
- Ensure that TI can meet its ongoing financial commitments on a scheme specific basis, in a self-sustaining manner, having regard to the social and economic objectives of the State, as agreed in writing with the Portfolio Minister and Treasurer; and
- Prudently and responsibly manage liabilities associated with the fixed repayment plan offered to some irrigators in the Greater Meander scheme.

Our Guiding Principles.

Tasmanian Irrigation develops and operates irrigation schemes:

- With innovative solutions;
- Striving for effective and efficient delivery;
- Where simplicity is sought;
- That are fair and equitable; and
- Will stand the test of time.



Performance Agreement

To assess organisational performance against the above strategic direction, Tasmanian Irrigation has selected a series of Key Performance Indicators.

Key Performance Indicators for Tasmanian Irrigation have been reviewed and revised for 2019 and beyond to more accurately reflect Tasmanian Irrigation's corporate objectives and values.

The financial indicators are based on the detailed four-year financial forecasts and are supported by non-financial indicators.

Tasmanian Irrigation has not been established to be a for-profit business, so there is no expectation to return a dividend to the Tasmanian Government. Any underlying operating profit will be directed to reduce debt levels. This approach is consistent with the expectation of the Shareholding Ministers.

As requested by the Shareholder Ministers, Tasmanian Irrigation's Statement of Corporate Intent includes "stretch" performance targets that drive continued improvements in performance, business efficiency and economic stability.

Business Area	Financial KPI	Actual 2018/19	Target 2019/20	Target 2020/21	Target 2021/22	Target 2022/23
Commercial	-Reduction in Corporate Expenses per Water Entitlement Issued	-7%	-29%	-3%	-2%	-4%
	-Reduction in Fixed Water Delivery Expenses per Water Entitlement Issued	-9%	-13%	-6%	-3%	-0%
	Admin and operational overhead allocated to irrigation schemes:					
	-Cost per water entitlement sold	\$19.96	\$21.85	\$22.19	\$22.40	\$22.66
	-Irrigation scheme fixed revenue (excl asset renewal) / direct irrigation scheme fixed expense (excl asset renewal)	149%	142%	119%	121%	116%
	- Irrigation scheme variable revenue (incl Midlands Power Station revenue) / irrigation scheme variable expenses	113%	95%	95%	95%	95%
	-Average debtor days	45 days	45 days	45 days	45 days	45 days

Non-Financial Key Performance Indicators

	Non-Financial KPI	Actual 2018/19	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22
Health + Safety	-Lost Time Injuries	3	0	0	0	0
	-Safety audits completed by employees per month	6	2	2	2	3
Build (development)	-T2 number of schemes in construction	1	3	2	0	0
	-T2 schemes under construction delivered within approved budget	2	2	1	0	0
	-T3 business case approvals	0	0	2	2	1
	-T3 schemes in construction	0	0	1	2	2
Water Delivery (post construction water sales)	-Retail water sales (five schemes with unsold water, excluding Midlands, Meander and Whitemore)	780 ML	442 ML	542 ML	452 ML	267 ML
	-Wholesale water sales program to be approved by Board and Minister	Meander Yes	Meander Yes	Midlands	Whitemore	
Water Delivery (operations)	-Water entitlements available for delivery at season commencement	100%	100%	100%	100%	100%
	-Non planned outages	5	5	4	3	3

"Tasmanian Irrigation is delighted to report it has achieved almost all Key Performance Targets in 2018/19 due to the unwavering commitment of our internal team, the support of our irrigator communities and the ongoing funding provided by the State and Federal Governments to build these life-changing irrigation schemes." -CEO Andrew Kneebone

"Tasmanian Irrigation – enabling Tasmanian farmers to be the best they can be".





Our People.

People are Tasmanian Irrigation’s most important asset. Their overall well-being and work/life balance are paramount to TI delivering water and building new schemes.

TI considers the employment of every individual to be an important factor in the constant growth and improvement of our organisation and we encourage the innovative and distinctive ideas that come with great employee contribution.

At TI, we endeavour to supply all our employees with great working conditions, ongoing support and clear direction.

With a focus on well-being and an open and transparent workplace, TI has embarked on a journey towards best practise.

Policies are currently being updated to reflect this commitment.

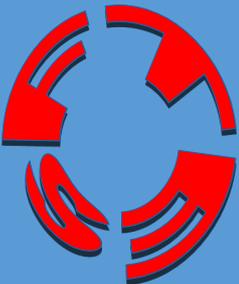
To date we have completed the following, commencing with policies that we see as priority to the health and well-being of our people:

- Diversity Policy (new);
- Workplace Bullying Policy and Procedure; and
- Grievance and Appeal Policy and Procedure.

Leadership capability

Leadership coaching for managers commenced in 2018/19, with a focus on empowering our team to be the best they can be.

Key 2018/19 People Highlights:



46 Full Time
Equivalents



16 Employees
with 5+ years of
experience



16 new
employees
inducted

Tasmanian Irrigation works cooperatively with its team to identify the training needs of our individual employees.

This year we have seen the majority of team members participate in training covering:

Safety & Compliance Training 2018/19	No of Employees
Healthy minds (mental health in the workplace)	45
First-Aid	15
Defensive driver training	12
Confined space	13
Working from heights	11
Decision making during a crisis	4
Dam safety and dam operations and maintenance	5
Incident management training for emergency service workers	28

"We actively manage diversity, valuing the differences between people and the contribution these differences make to improving our business."

In 2018/19, Tasmanian Irrigation reviewed the existing EEO Policy and replaced it with a new Diversity Policy. TI appreciates the value inherent in a diverse workforce.

Diversity may result from a range of factors including origin, age, gender, race, cultural heritage, lifestyle, education, physical ability, appearance, language or other factors.

Team Triumph — First Employee to Record 10 Years of Service

TI's Office Manager Fiona Buckingham completed 10 years of highly-valued service in April 2019 — a wonderful achievement especially considering that Tasmanian Irrigation was established in 2008.

Fiona made history with TI as the first employee to complete 10 years' service. She works closely with both the Build and Water Delivery Teams and she is a regular face at the water sales meetings for new schemes.

Fiona recently joined the team for the annual Irrigator Representative Committee meetings.

Our Board.



Samantha Hogg (Chairman)

brings more than 25 years' experience in executive management across the resources and infrastructure sectors, as well as extensive experience in finance, marketing and strategic projects.

She resides on a farm in northern Tasmania and holds positions on a number of Tasmanian and other Boards, including Chairman of TasRail, Non-Executive Director of Hydro Tasmania, Non-Executive Director of MaxiTRANS Industries Limited and Member of the Australian Renewable Energy Agency Board.

Samantha's most recent executive role was as Chief Financial Officer of Transurban, through a period when the business grew to become a top 20 ASX company.

Samantha is also a Fellow of the Australian Institute of Company Directors.



Michael Chilvers (Non-Executive Director)

runs an intensive mixed farming enterprise in the Northern Midlands, growing feed grains, malt barley, lucerne hay, processing peas, poppies and hybrid carrot seed, as well as lamb finishing and dairy heifer and cow agistment.

Michael was awarded a Nuffield Farming Scholarship in 2012 focused on systemising on-farm production and agricultural business expansion models.

He is currently chair of TAP AgriCo, a member of the GRDC High Rainfall Zone Cropping Solutions Network Committee, a former Nuffield Australia Board Member and has had a long association with the TFGA. Michael was also involved with the Lower South Esk Irrigation Scheme as a member of the Irrigators Group and served for a period as Chairman.



Guy Kingwill (Non-Executive Director) is currently a Board member of Lower Murray Water Urban and Rural Water Corporation. He has substantial Australian and international executive experience, which includes nine years as the CEO and Managing Director of Tandou Limited, a successful NSW farming business engaged in irrigated agriculture and water trading, and also with Lanxess Corporation and Bayer Chemicals in the US.

Guy has extensive knowledge of rural water use and trading matters, with a strong corporate background and experience of international corporate funding. He has a Bachelor of Commerce, is a member of Chartered Accountants Australia and New Zealand, and is a Fellow of the Australian Institute of Company Directors.



Chris Thompson (Non-Executive Director) was formerly managing director and director of firms Macquarie Franklin and Agricultural Resources Management.

He has extensive consulting experience in agribusiness developments, rural water resources management, irrigation systems and dam construction and operations.

Chris is well regarded in the Tasmanian farming and agricultural sectors.

He has held a number of chairman and director positions with irrigation boards — both on a national and international scale.



John Whittington (Non-Executive Director) is the Secretary of the Tasmanian Department of Primary Industries, Parks, Water and Environment. He has held numerous senior management positions since joining the Tasmanian State Service.

John Chairs the Tasmanian Institute of Agriculture Advisory Board and is a member of the Institute for Marine and Antarctic Studies.

John is a graduate of the University of Adelaide where he completed his PhD.

Our Leadership Team.



Andrew Kneebone (Chief Executive Officer) was appointed CEO of Tasmanian Irrigation in May 2019 after six months as Acting CEO and 11 months as General Manager Water Delivery and Infrastructure.

He has more than 20 years of senior and executive management experience in the irrigation, urban water and electricity utility sectors spanning four states and territories.

Recent positions include CEO of Cradle Mountain Water and General Manager Commercial and Strategy of Territory Generation in Darwin.

Andrew holds an MBA from the University of Queensland and has extensive experience in finance, economic regulation, operational management, organisation development, leadership and change management.



Simone Reynolds (Manager People, Culture and Strategy) has led the development and execution of people strategies to drive improved irrigator and scheme outcomes through enhanced capability, increased productivity and the development of a high-performing safety culture since she joined Tasmanian Irrigation in July 2016.

Drawing on more than 20 years' experience – around Australia and overseas – in human resources management across the aviation, banking and finance and irrigation sectors, Simone works with a team of highly committed individuals focused on enabling business outcomes.

She is a current member of AHRI and AICD.



James Hipwood (Chief Financial Officer) leads Tasmanian Irrigation's Corporate Services team and ensures the efficient provision of management and statutory reporting, financial transactional services and planning, including annual budgets, corporate plan, long term strategic and financial plans. Additionally, James has the responsibility for TI's treasury management, information technology, office administration, insurance program and its internal and external audit.

James holds a Bachelor of Business, is a CPA and has over 12 years' business/accounting experience, previously holding a number of finance and accounting roles in transport and infrastructure in Australia and the United Kingdom and also working for KPMG.



Steven Maycock (General Counsel / Company Secretary)

Prior to joining Tasmanian Irrigation in May 2019, Steven held senior legal and Company Secretary roles in ASX listed, private and State-Owned Companies with extensive experience in major projects. He had previously worked as a lawyer at Clayton Utz specialising in administrative law and commercial litigation.

Steven is a Fellow of the Governance Institute of Australia, a Fellow of the Institute of Chartered Secretaries and Administrators and a graduate of the Australian Institute of Company Directors. He holds degrees in Science and Pharmacy, a Juris Doctor from Bond University and post-graduate qualifications in corporate governance and risk management.



Paul Ellery (Manager Build)

Paul joined TI in July 2009 as Senior Project Manager and has managed three Tranche One schemes and one Tranche Two scheme, as well as investigating water security for Van Diemen's Land Company's Woolnorth property and developing a business case for the 10,000 ML Southern Forests Irrigation Scheme in Manjimup, WA.

Since taking on TI's Manager Build role, Paul has overseen the design and construction of five Tranche Two schemes, whilst developing the Tranche Three Pipeline to Prosperity program.

Paul previously worked in the agriculture and forestry sectors in Victoria, NSW and Tasmania for more than 20 years in a range of senior leadership roles.



Build.

Tasmanian Irrigation’s Build Team of engineers and project managers deliver from a concept idea through to an operating system that is designed to be in operation for the next generation of farmers and beyond.

The process begins with the election of a community-endorsed Irrigator Representative Committee (IRC), district-wide expressions of interest in buying into a TI scheme and then designing a delivery mechanism to meet community needs.

Along the way, risks are continually evaluated as the design progresses in terms of environment, social acceptability, cost and economic outcome. As these schemes are a public/private partnership, all stakeholders are engaged and consulted to ensure that the key needs are met.

After delivering 14 schemes and another under construction as part of Tranches One and Two, the TI Build Team has learnt a great deal from all stakeholders, providing a greater confidence for the planning of Tranche Three projects.

Installed
150 km of
HDPE
pipeline



Key 2018/19 Build Highlights:

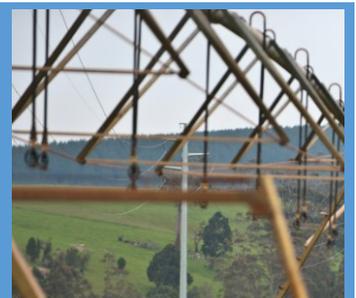
Placed
800,000m³
of earth in
dam walls



Built four
pump
stations



Issued
10,000 ML of
new irrigation
rights



Construction

The last of the Tranche Two schemes under construction is the Scottsdale Irrigation Scheme. The infrastructure comprises the 9,300 ML Camden Dam, the St Patricks River Pump Station, 2MW Headquarters Rd mini-hydro and 92km of delivery pipeline to 105 property outlets.

Construction of the scheme is well underway with 35km of pipeline installed, Camden Dam completed and filling, whilst the pump station, power station and remaining pipeline are progressing towards completion by February 2020. There has been up to 100 workers on site across the project in the first half of 2019 and this intensity will continue for the next four to six months, providing an economic boost for Scottsdale and surrounding areas, including the many sub-contractors and suppliers to the principal contractors VEC and Hazell Bros.

Handed to Water delivery

Duck Irrigation Scheme

The Duck Irrigation Scheme commenced water delivery in early December 2018. The scheme comprises the 6,275 ML Mill Creek Dam, two pump

stations, 61km of pipeline, two balance tanks and 41 property outlets. The scheme has fully sold the 5,200 ML of water entitlements and delivered approximately 1,200 ML in a partial 2018/19 summer delivery period.

The Duck Irrigation Scheme employs a full-time operator and is gearing up for the inaugural 2019/20 irrigation season with more than 4,500 ML in storage as of early July 2019, with the dam expected to reach full supply level well before the close of the winter pumping period.

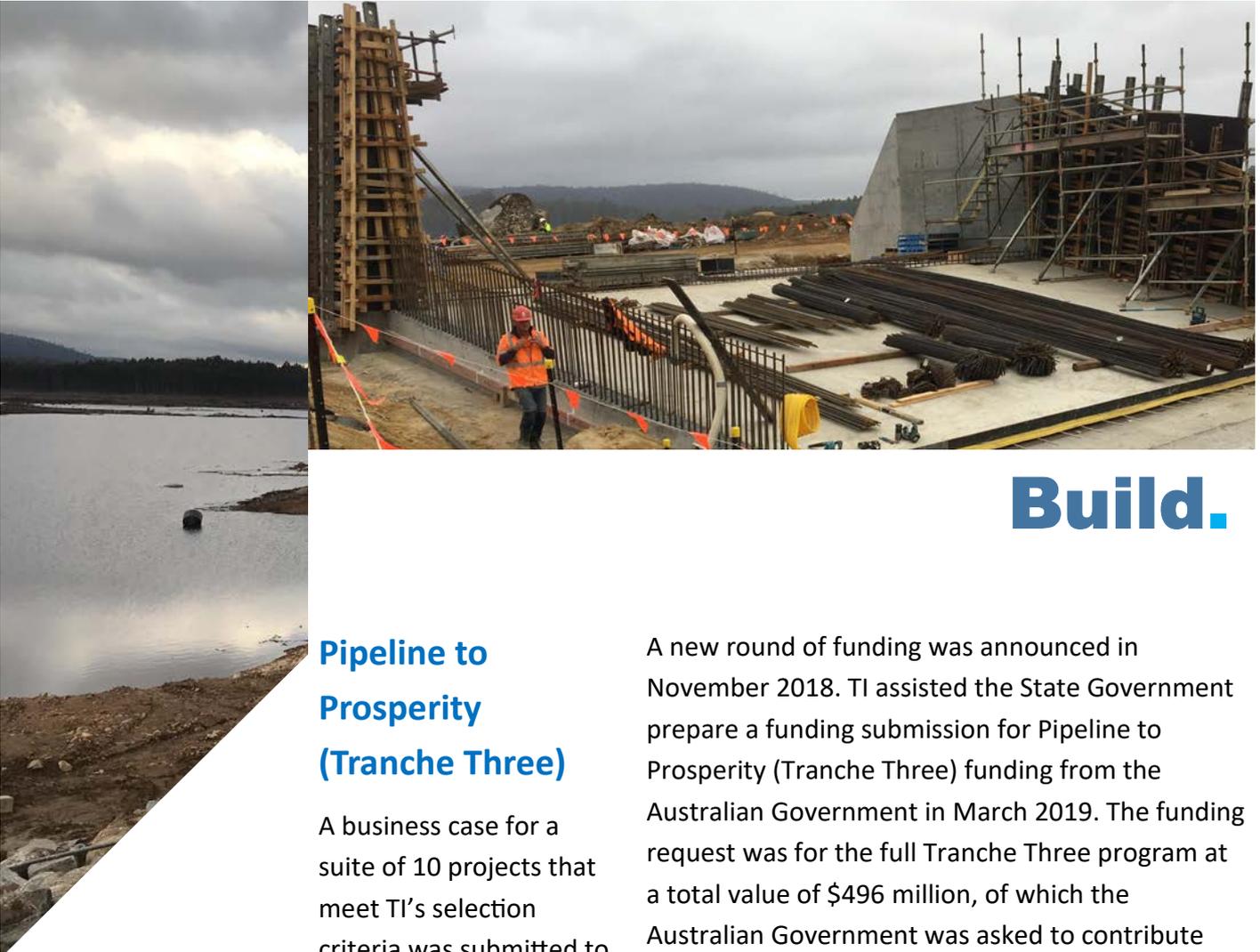
North Esk

The North Esk Irrigation Scheme commenced water delivery in January 2019. The scheme comprises the 5,580 ML Rocklands Dam, a pump station on the North Esk River and a small booster pump station (20 ML) in the scheme, 60km of pipeline and 65 property outlets. The scheme has fully sold the 4,685 ML of water entitlements and delivered 712 ML in a partial 2018/19 summer delivery period. The scheme operator works across several TI schemes and is in dam-fill mode with more than 2,700 ML already in storage and expected to fill to full capacity for the 2019/20 irrigation season.

Team Triumph — Dalness Dam Design.

The Build Team focused on delivering a gravity fed solution for the North Esk Irrigation Scheme. A lift of 200mm in Full Supply Level increased the Normal Minimum Operating Level of the storage by three metres. This in turn removed the White Hills pump station from the design and enabled the majority of the scheme to be serviced by gravity pressure.

The design change saved irrigator annual pumping costs of \$15/ML and reduced the scheme's annual asset renewal costs by \$1.05/ML. The adaptation was cost neutral with the cost of the additional dam works being comparable to the savings from not building the pump station.



Build.

Pipeline to Prosperity (Tranche Three)

A business case for a suite of 10 projects that meet TI's selection criteria was submitted to

Infrastructure Australia in April 2019.

The projects include new schemes, augmentation of existing schemes and connectivity between existing schemes, and building on the infrastructure under TI management to provide cost-effective and reliable water with environmental sustainability at the forefront of design.

The program of 10 projects was identified as an initiative of national significance by Infrastructure Australia in February 2019. The business case is currently under review and approval of the business case will see IA formally acknowledging the program as a project of national significance.

National Water Infrastructure Development Fund (NWIDF)

The NWIDF is the funding source for the Scottsdale Irrigation scheme currently under construction.

A new round of funding was announced in November 2018. TI assisted the State Government prepare a funding submission for Pipeline to Prosperity (Tranche Three) funding from the Australian Government in March 2019. The funding request was for the full Tranche Three program at a total value of \$496 million, of which the Australian Government was asked to contribute \$243 million. The funding request specifically dealt with Phrase One of the overall program, which consists of five projects that could be delivered within the funding guidelines. These five projects have a capital cost of \$163.1 million and will deliver an additional 26,000 ML of irrigation rights.

Work is well underway on these projects, supported by the State Government, with community meetings and the election of Irrigator Representative Committees (IRC) on the Northern Midlands, Don and Fingal projects. Design is now focussed on community needs and any additional demand for irrigation water, with the aim to have a preferred design option to take to the district landowners in the form of a water sales process.

This ensures there is private sector commitment to complete a business case and progress through the permits, approvals and construction tendering phases.

Water Delivery.

The primary focus of the Water Delivery Team is the operation of irrigation schemes around Tasmania in accordance with the relevant compliance frameworks.

In addition to this, the team manages TI's responsibility for some non-irrigation scheme activities associated with:

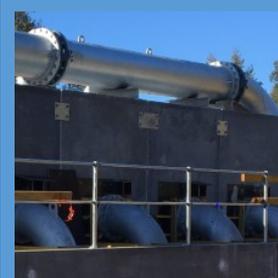
- Lake Leake;
- Rileys Creek Dam;
- Furneaux Drainage Scheme;
- Togari Water Scheme; and
- Montagu and Welcome River Improvement Schemes.

The scheme operators form the core of the Water Delivery Team, as they manage day to day delivery of water, maintenance activities, compliance monitoring, and irrigator liaison. Supporting the scheme operators are people with expertise in:

- Commercial:** includes pricing, water trading and entitlement sales, energy analysis, reporting and stakeholder liaison;
- Environmental:** water licences, monitoring, reporting and auditing;
- Engineering/asset maintenance:** maintenance planning, hydraulic modelling and dam safety program coordination; and
- Electrical/communications:** operate power stations, oversee high voltage assets and maintain electrical systems/control systems.



16 schemes
now operational



Operational
entitlements
increased to
123,323 ML for
in-season supply

Key 2018/19 Water Delivery Highlights:

Three new
schemes
commissioned



Water Delivery.

Irrigation seasons opened across the State with 100 per cent allocations available in all existing operational schemes. During the year, we delivered 64,784 ML, which is about 60 per cent of the entitlements sold to date. When the demand peaked around January – March, there were times where daily flows met full scheme capacity in some schemes.

Scheme operators worked with the irrigators to implement informal flow management strategies in schemes that don't have contractual flow rates, to enable irrigators equitable access to water entitlements — particularly in periods of peak demand.

Consistently low flows in the Swan River have resulted in difficulties with filling the primary storage for the Swan Irrigation Scheme. The Water Delivery Team worked successfully with irrigators in the region to make a limited volume of water available under the system of general availability to meet their immediate requirements.

With the completion of construction of the new Duck and North Esk schemes in December, it was possible to provide some general availability water to the irrigators in these schemes during January through to March. The available water met the demand of irrigators in both schemes, with some water retained in the storages. This will form the basis for supply in 2019-20.

Team Tribute — Peter Rand

The loss of very highly regarded South East Scheme Manager Peter Rand to cancer in June was felt by the whole team at TI and the wider irrigator community. Pete's contribution to agriculture in Tasmania has been widely acknowledged, particularly through his work at TI.

Pete was one of the longest serving members of the TI team, where he worked closely with irrigators in his role as a Project Manager, and then as he transitioned into the Scheme Manager for the South East Irrigation Schemes. Pete's work resulted in higher reliability in the older Coal Valley and South East Stage Two schemes, which was very clearly appreciated by the irrigator community.

With his passion for agriculture, particularly in the South East region of Tasmania, Pete was still working on scheme development and potential improvements right up until the week before he passed away. The team at TI is very grateful for Pete's valuable and selfless contribution and will ensure that his memory lives on.



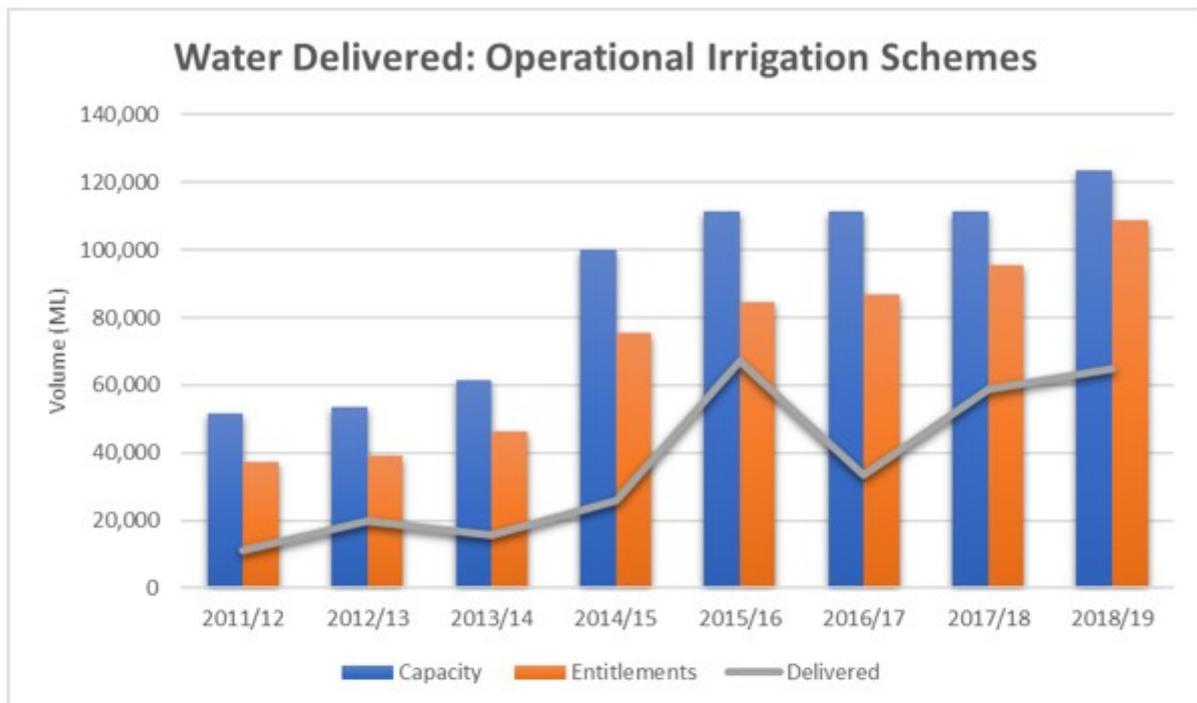
TI has worked with the irrigator representatives in the Whitemore Irrigation Scheme to plan an upgrade of one of the pump stations to increase deliverability into the piped area of the scheme.

Demand for reliable permanent winter water entitlements in the Sorell (South East Stage Three) scheme continues to increase. The Water Delivery Team has been working with the irrigator

representative committee to develop a strategy for the introduction of permanent winter water entitlements in the scheme.

TI also worked with landholders in the Montagu and Welcome River Improvement Schemes to enable river works to be undertaken in line with landholder requirements while maintaining environmental compliance.

"We continue to work collaboratively with our irrigators and other stakeholders to supply as much water as possible to meet the requirements of the entitlement holders".



	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Capacity	51,591	53,571	61,369	99,869	111,424	111,424	111,438	123,323
Entitlements	37,175	38,989	46,142	75,566	84,496	86,833	95,494	108,807
Delivered	11,207	19,677	15,721	25,909	67,085	33,280	58,924	64,784

Environment.

Tasmanian Irrigation’s Environment Team’s principal function is to advance TI’s Strategic Objectives and Mission Statement to develop and operate irrigation schemes that are environmentally sustainable. To do this, the team is responsible for implementing TI’s Environment Policy by monitoring environmental compliance obligations, supporting regulatory approval processes and promoting sustainability and environmental awareness within the organisation.

The team consists of a manager, an environmental officer, a Farm Water Access Plan specialist and an ecologist, who share responsibilities and work collaboratively on projects to meet a varied and demanding cross organisational workload.

Tasmanian Irrigation implements a range of procedures to ensure all activities undertaken meet environmental statutory requirements and are conducted in an environmentally responsible manner.



Developed 105 new Farm Water Access Plans



Key 2018/19 Environment Highlights:



No incidents of environmental harm recorded



Identified new sub-population of endangered plant species

All monitoring programs found no discernible impacts from TI operations



Water Quality and Aquatic Health

In 2018/19, 126 surface water quality monitoring sites were sampled monthly in 68 scheme waterways and 13 groundwater bores were monitored monthly in three groundwater areas.

Water quality sampling and aquatic weed inspections occurred monthly and inspections for blue green algae were undertaken weekly in TI's 16 storages.

No toxic algal blooms nor listed aquatic weeds were detected in TI's storages.

Aquatic habitat monitoring (AusRivAS) occurred during spring and autumn to monitor aquatic health at a total of 15 sites in five irrigation districts.

Monitoring and survey results indicate that there were no discernible impacts on water quality or aquatic health attributed to the operation of Tasmanian Irrigation's schemes during 2018/19.

Environmental Monitoring Programs

In accordance with State and Federal approvals, surveys continued across schemes for the presence of green and gold frogs, native and pest fish, aquatic habitat quality for burrowing crayfish and giant freshwater crayfish, progress of rehabilitation, and to detect any erosion impacts from water releases into receiving waterways.

All surveys show minimal impact from Tasmanian Irrigation activities.

Findings of eight monitoring programs provided the Federal Government's Environment Department and the State's Environmental Protection Agency with evidence to cease environmental monitoring based on no impacts being detected from TI operations.

In conjunction with DPIPWE, the monitoring report for the Midlands Water Scheme Strategic Assessment was submitted to the Federal Government. The progress report provides interim results and presents an adaptive approach to monitoring to assess impacts of the application of TI water on Matters of National Environmental Significance.

Additional lowland native grass and soil salinity monitoring programs are currently being designed for implementation. The first independent audit of the Farm Water Access Plan development and auditing processes required under the Midlands Water Scheme Strategic Assessment found the processes fully compliant with requirements.

Resultant from the findings of the five-yearly independent audit of Meander Dam required under the *Environment Protection and Biodiversity Conservation Act* conditions of approval, a planting program has been initiated to improve swift parrot habitat. Environmental assessments and associated State approvals were obtained for maintenance works in two Riverworks District administered by Tasmanian Irrigation (*Water Management Act 1999*).

Environment.

Hydrometrics

Rating curves for Tasmanian Irrigation's 20 hydrography streamflow sites continue to be developed and adjusted as required. Field work and data management related to the gauging stations and flow monitoring weirs continue to be undertaken externally, and all sites and infrastructure are being maintained to Standards.

Operations were undertaken in compliance with conditions on Tasmanian Irrigation's 18 water licences and nine watercourse authorities.

Environmental requirements are now incorporated into storage and stream flow operating systems as standard, providing for automated compliance opportunities and cost efficiencies in the recording and reporting of environmental compliance data. This includes stream flow data from 15 of the 20 sites and storage level on two dams being made available in real time on DPIPW's publicly available Web Portal.

Construction Compliance

Four second party environmental audits and numerous inspections were conducted on contractors undertaking construction works on the Scottsdale Irrigation Scheme. The Environment Team worked closely with the contractors to assist in compliance with protocols and regulatory requirements.

Proactive approach

In collaboration with Hazell Brothers, the team developed a presentation on the Sediment and Erosion Controls adopted during the construction of the Camden Dam for an Australian Water Association Technical event in Launceston.

The Environment Team assisted Aboriginal Heritage Tasmania (DPIPWE) to tailor a presentation for the Build Team on Aboriginal heritage identification and legislative requirements prior to the commencement of the Tranche Three projects.

The team commenced developing Operational Environmental Management Plans for all operational schemes.

Phase one of the project involved auditing all schemes and gauging scheme operator's environmental awareness.

The next phase involves the preparation of scheme-tailored documents including sections on weed and pest management, chemical storage, water quality monitoring, biosecurity and maintaining water licence data records.

The third phase will be the formal training of all operators on the requirements of the Plans.

"Tasmanian Irrigation aims to minimise environmental impact in all aspects of our construction and operational activities. We strive to achieve sustainability and conserve Tasmania's natural assets, whilst providing high quality outcomes for our stakeholders."

Team Triumph — New App For Water Quality Sampling Data.

The Environment Team designed an integrated solution to significantly improve quality assurance and provide cost and time savings in the collection, storage and management of water quality data.

We created an app-based survey using Esri's Survey123 and Collector, which enables field staff to enter data directly into the water quality database. The App features include prepopulated details and site-specific monitoring requirements for 126 sites; in-built QA/QC features (eg date/time format, acceptable parameter ranges, auto-converter of units); and threshold exceedance alerts.

All data collected is stored in a database, which can be downloaded for analysis and can be viewed in real time on our Water Quality dashboard and map through ArcGIS.

We also coded a program that identifies emails containing laboratory results and automatically ingests this data into the database. This enables all data to be stored securely in the required format, reducing the potential for human error in the recording and transfer of data.



Farm Water Access Plans

Farm Water Access Plans (Farm WAP) are property specific documents that guide the sustainable application of TI water and assist with the long-term viability of land for agricultural production. They identify where TI water can be applied and detail actions to manage potential risks from application. All land including dams, to which TI water is applied within TI developed schemes, is to be covered under a Farm WAP.

All irrigators applying TI water have a Farm WAP in place, which now total 616 in 14 operational schemes.

An Annual Farm WAP Audit process is in place, which assesses compliance with randomly selected Farm WAPs. In 2018-19, 39 random audits and three triggered audits were conducted during the annual compliance audit process.

In 2018-19, 105 Farm WAPs were finalised (53 North Esk, 28 Duck and 24 across existing schemes) with a further 100 currently being developed for the Scottsdale Irrigation Scheme, which will come online for the 2019/20 season. A new cost-effective automated process has been developed to assist with auditing, which is providing enhanced compliance opportunities.

Our Safety.

Tasmanian Irrigation's primary safety goal is zero harm, as well as the well-being of our people, contractors and stakeholders.

In 2018/19, TI unfortunately recorded three Lost Time Injuries (LTI).

All injuries were low impact— two involved contractors (bee sting and a slip in wet conditions that resulted in a sprained ankle) and one involved an employee (a slip when walking on uneven ground that resulted in a sprained knee that required day surgery and 2.5 weeks of lost time).

TI had recorded zero LTI's up to 2016/17 and one LTI (low impact injury) in 2017/18.

As at 30 June 2019, Tasmanian Irrigation employees had worked 291 consecutive days free of Lost Time Injury.

As at the same date, Tasmanian Irrigation contractors had worked 226 consecutive days without Lost Time Injury.

Work has commenced in late 2018/19 to review TI's policies and procedures, along with a plan to further develop TI's overall safety culture. Key advances include:

- More than 750 hours of training delivered during the financial year—a 50 per cent increase on the previous year;
- Mental health in workplace – healthy minds training for all employees;
- Bullying, Grievance and Diversity Policies updated and rolled out in all team meetings;
- Fortnightly internal newsletter with a dedicated safety section rolled out in December 2018;
- Tasmanian Irrigation's leadership team is working on the roll out of a new Safety Committee; and
- A more proactive and strategic approach to risk management across the organisation has been implemented.

"Tasmanian Irrigation is committed to improving its safety record every year and working collaboratively to empower each employee to call out unsafe behaviour".

More than 750
hours of
training
delivered



Key 2018/19 Safety Highlights:



Roll out of
WHS manual to
all
employees

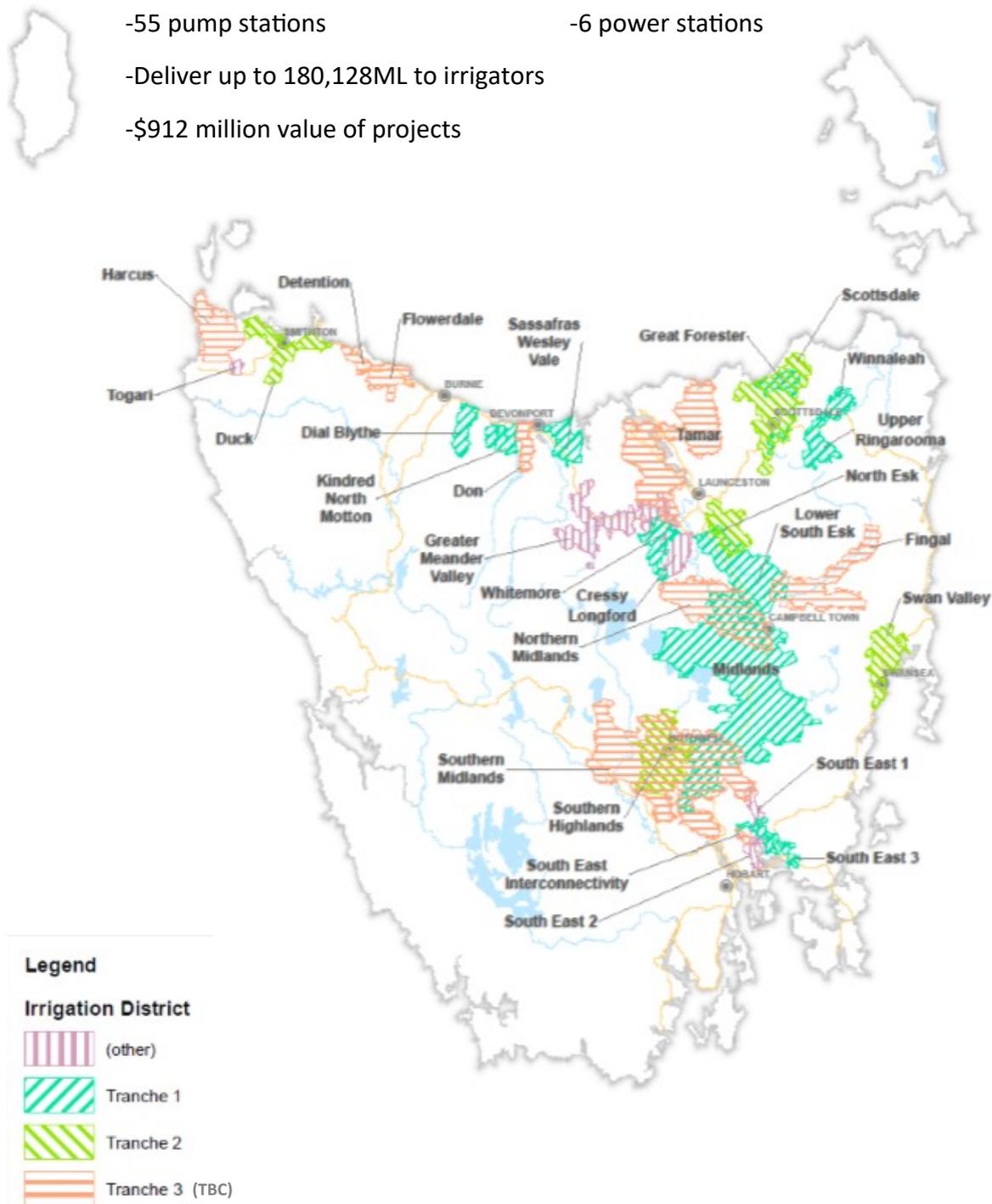
Tasmanian Irrigation Schemes.

Since its 2008 inception, Tasmanian Irrigation has proven what can be achieved through a strategic public and private funding partnership to deliver major infrastructure projects:

- **Tranche One:** 10 irrigation projects are operational;
- **Tranche Two:** Four irrigation projects are operational and one is under construction (water expected to flow in early 2020); and
- **Tranche Three:** 10 irrigation projects are proposed.

As part of these three tranches, if fully implemented, Tasmanian Irrigation would deliver a total of:

- 1309 km of pipeline
- 21 dams
- 55 pump stations
- 6 power stations
- Deliver up to 180,128ML to irrigators
- \$912 million value of projects



Tranche Two Irrigation Projects.

Four of the five Tranche Two irrigation projects are now completed, with the Duck Irrigation Scheme and the North Esk Irrigation Scheme officially opened by State and Federal Ministers in March 2019.

The fifth scheme in this tranche, the Scottsdale Irrigation Scheme, is on track to be completed in early 2020, servicing approximately 87 irrigators in the areas of Scottsdale, Springfield, Bridport and Waterhouse.

A new Camden Rivulet Dam will store water for distribution through a combination of underground pipelines and local waterways. The dam will be partly filled by surplus winter flows from Camden Rivulet and a pump on the nearby St Patricks River and pipeline will allow additional surplus winter flows to be used to top up the dam as required.

A 2MW hydro power station is also being constructed at South Springfield. The scheme will deliver up to 8600 ML of high reliability summer irrigation water to irrigators.

The five Tranche Two projects will have the capacity to deliver more than 27,000 ML of water to Tasmanian irrigators, and when added to Tranche One and the inherited schemes, Tasmanian Irrigation has the capacity to deliver more than 130,000 ML of irrigation water.

Tranche Two

- 5 projects
- 27,700 ML
- 312 km pipeline
- 5 dams
- 9 pump stations
- 1 power station
- \$167.77 million investment

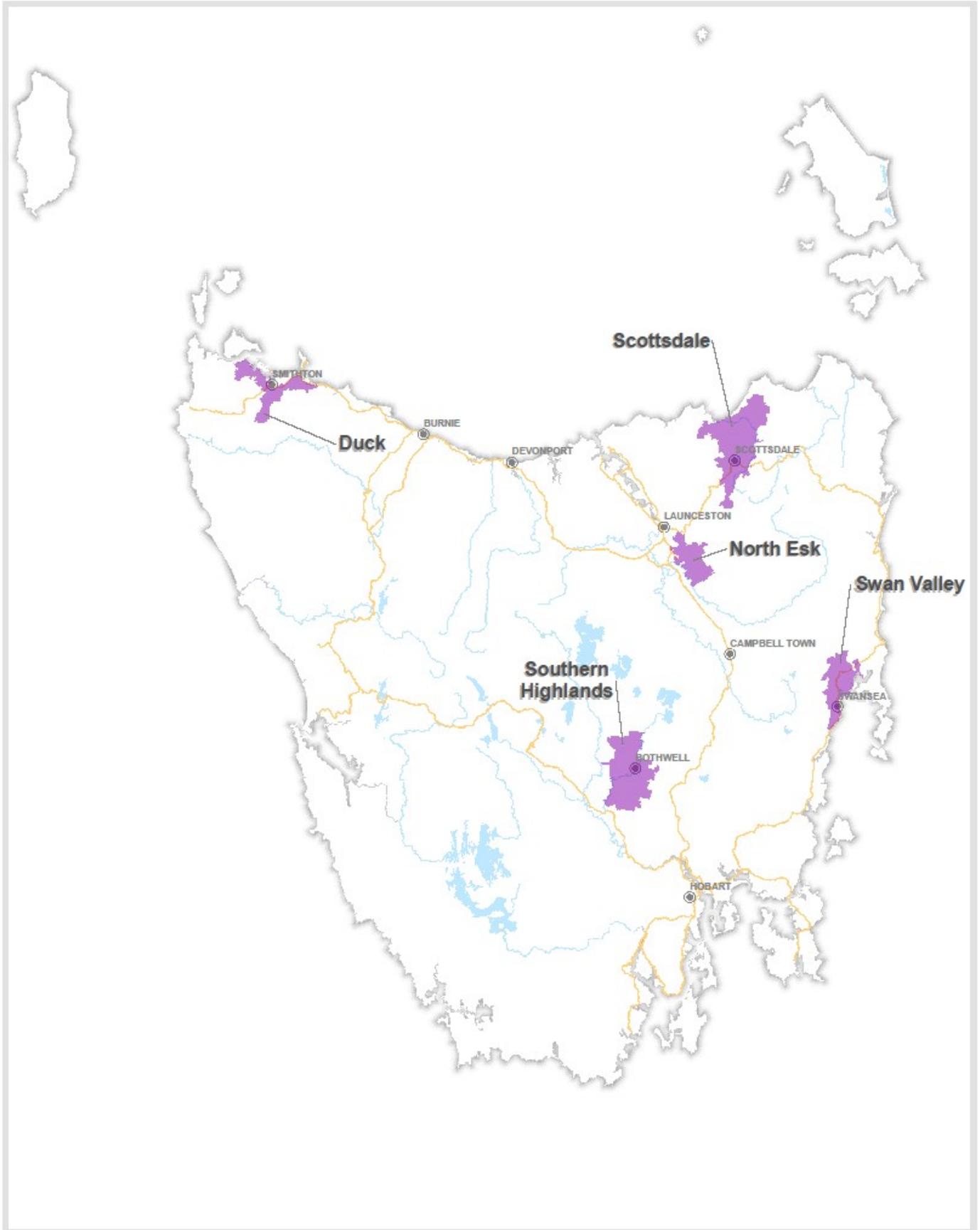
The Southern Highlands scheme delivered water to irrigators for the 2017/18 season. Due to higher than expected demand for water entitlements, this scheme was increased in size to deliver 7,215 ML of water (compared to the originally designed scheme with a capacity of 6,500 ML).

The 2,000 ML Swan Valley Irrigation scheme delivers water to farmers in the region north of Swansea on the East Coast of Tasmania, predominantly supplying water to existing and new horticultural ventures, as well as enabling ongoing expansion in the wine industry.

The North Esk Scheme delivers water to about 57 farmers in the Evandale, Nile, White Hills and Relbia areas.

The Duck Irrigation Scheme has the capacity to deliver 5,200 ML of water through the Melba area and the Forest district in North West Tasmania in the Smithton area.

PROJECTS—Tranche Two	SIZE (ML)	CAPITAL COST (\$M)
Southern Highlands	7,215	\$31.3
Duck	5,200	\$29.9
Swan Valley	2,000	\$18.8
North Esk	4,685	\$30.4
Scottsdale (under construction)	8,600	\$57.3
TOTAL	27,700	\$167.7



Tranche Two Projects



Map Scale 1:1,500,000
When printed at A3



Map No: 001-42717-000
Version: 000
Date: 28/03/2019
Author: R. Sands
Tasmanian Irrigation



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Tranche Three Irrigation Projects.

The State Government has committed \$70 million and the Federal Government \$100 million to the first five of 10 proposed irrigation projects around Tasmania as part of the Tranche Three Pipeline to Prosperity initiatives.

In February 2019, Infrastructure Australia added the proposed Pipeline to Prosperity projects to the “priority initiatives” in the updated Infrastructure Priority List for Australia—reinforcing the national value the next proposed stage of irrigation projects could have on Tasmania’s agricultural sector.

It is expected that the Pipeline to Prosperity irrigation projects will deliver:

- \$114 million per annum when the projects are at full production;
- A benefit cost ratio of 2:4, excluding wider economic benefits;
- Up to 2600 full-time jobs; and
- \$150 million additional on-farm private investment.

Tranche Three

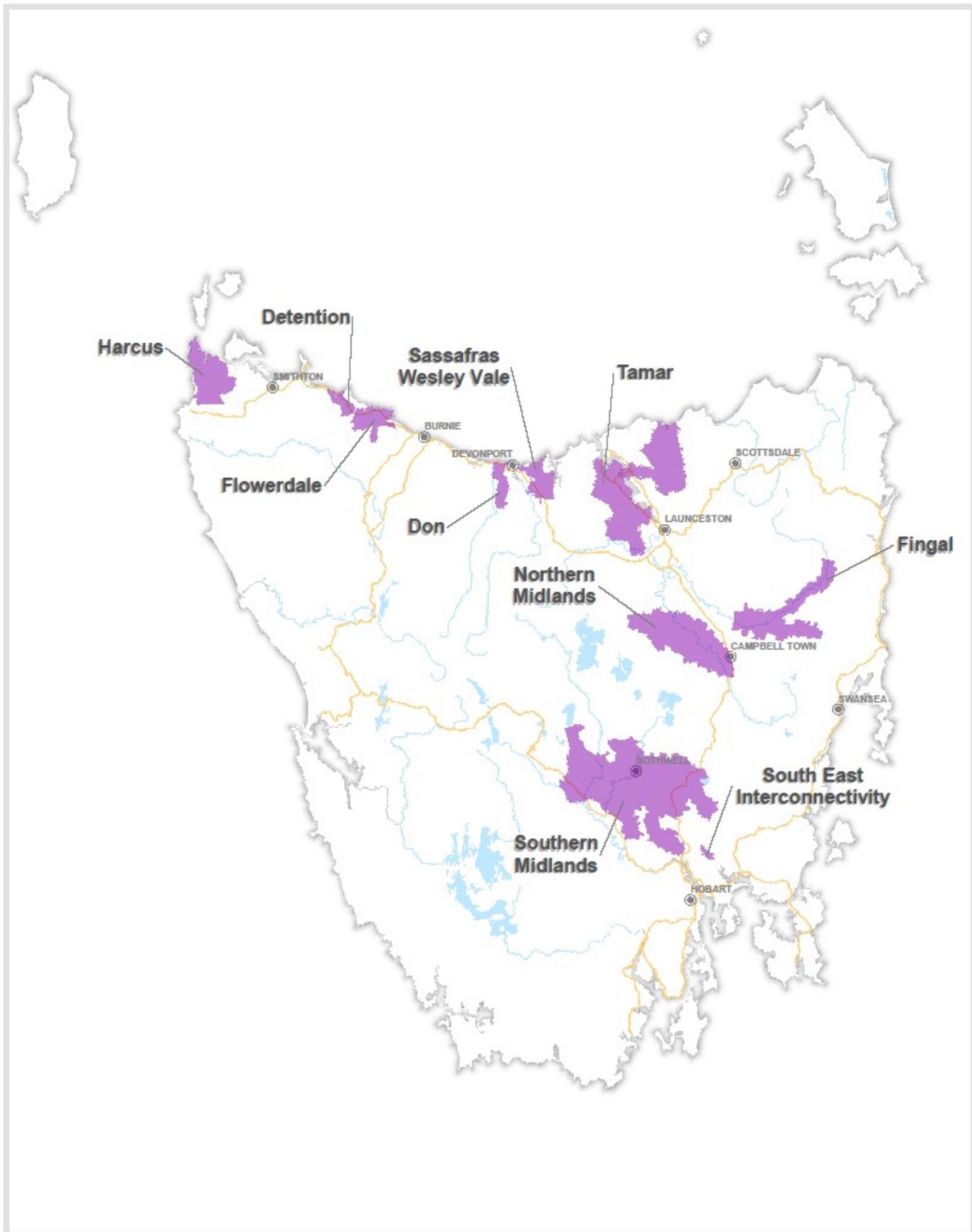
- 10 proposed projects
- 77,935 ML
- 479 km pipeline
- 7 dams
- 23 pump stations
- 4 power stations
- \$496 million investment

It is anticipated that the 10 additional irrigation projects will deliver up to 78,000 ML and provide greater interconnectivity between existing irrigation schemes, allowing greater water trading and more efficient use of scheme capacity.

Each of the 10 proposed projects will undergo a process of careful consultation and due diligence from the planning stage through to construction and operation.

PROJECTS—Tranche Three	SIZE (ML)	CAPITAL COST (\$M)
Detention	3,000	\$23.9
Don	3,000	\$12.5
Fingal	5,800	\$30.9
Flowerdale	3,000	\$27.2
Harcus	8,000	\$28.6
Northern Midlands	8,195	\$39.1
Sassafras Wesley Vale	1,300	\$6.3
South East	3,600	\$17
Southern Midlands	34,000	\$236.4
Tamar	8,040	\$74.3
TOTAL	77,935	\$496.2

The first four new schemes are expected to be Don, Fingal, Northern Midlands and Tamar. In addition, the fifth project — the augmentation of Sassafras Wesley Vale — would deliver 24 per cent additional capacity, increase water delivery area and efficiency, allow greater water trading and more efficient use of scheme capacity.



Tranche Three Proposed Projects



Map Scale 1:1,500,000
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Map No: 001-02707-000
Version: 000
Date: 24/03/2019
Author: N. Sands
Tasmanian Irrigation



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Other TI Responsibilities.

Tasmanian Irrigation has responsibilities for a range of other infrastructure, ranging from mini hydro power stations to dams, drainage schemes and river improvement trusts.

Tasmanian Irrigation is the responsible entity for the administration and maintenance of the:

- Welcome River Riverworks District;
- Montagu River Improvement District;
- Togari Water District;
- Furneaux Drainage District;
- Lake Leake Dam infrastructure;
- Riley's Creek Dam; and
- The Meander Mini Hydro Power Station.

These assets and schemes are largely ancillary to Tasmanian Irrigation's core business of developing, owning and operating irrigation projects and schemes.

The responsibility for the Riverworks Districts was transferred as a result of the amalgamation with the then Rivers and Water Supply Commission.

Tasmanian Irrigation is in the process of re-establishing ongoing works programs associated with each of the river works and drainage districts in cooperation with local representatives.

The purpose of these works programs is to ensure the appropriate functioning of the rivers and drains, particularly in times of flood.

The Lake Leake Dam infrastructure is owned by Tasmanian Irrigation and operated by the Elizabeth Macquarie Irrigation Trust.

The Riley's Creek Dam is owned and maintained by Tasmanian Irrigation and supplies the local fish industry.

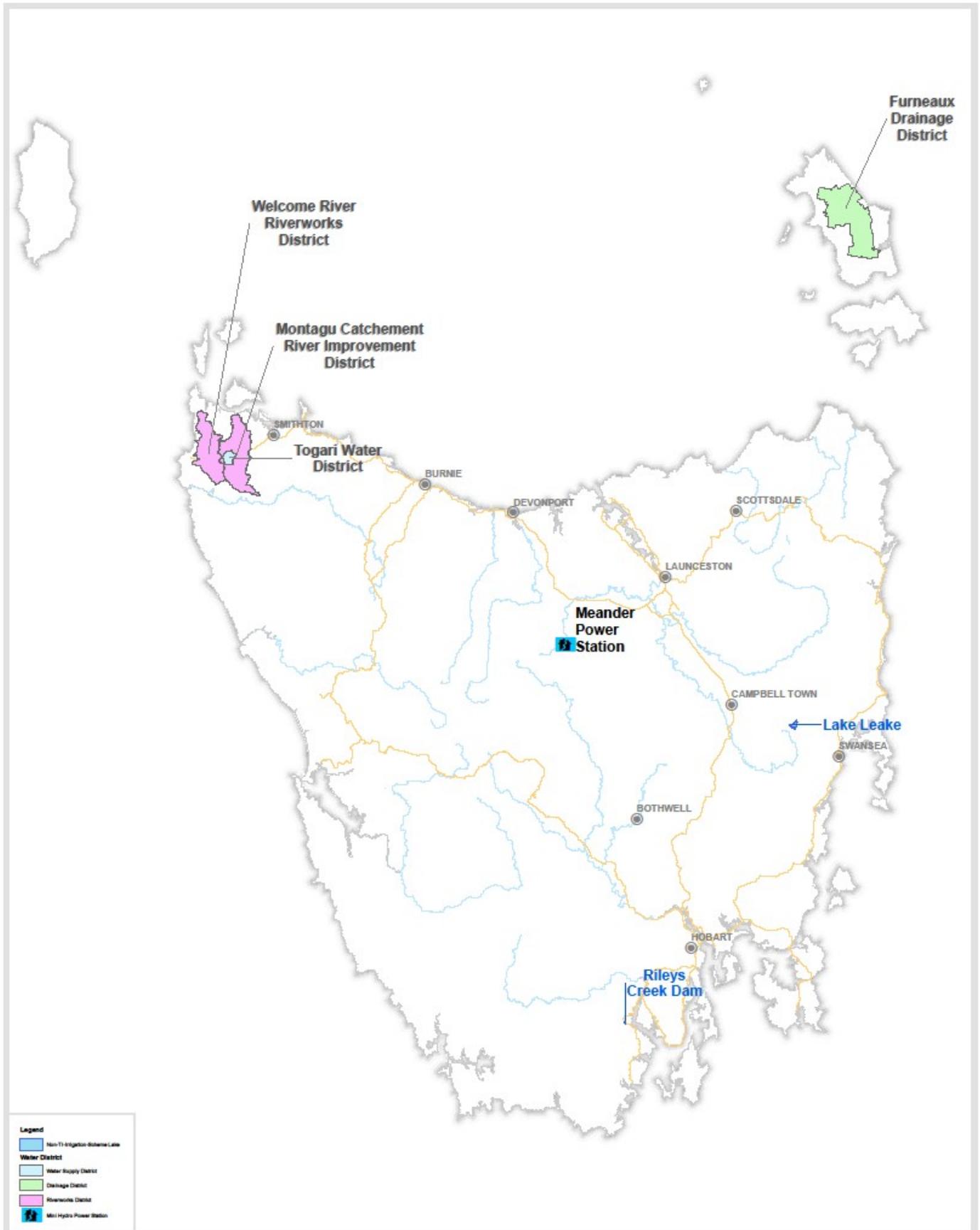
Lake Leake and Riley's Creek come with significant compliance requirements associated with dam safety surveillance, the costs of which are the subject of negotiation with the State Government and the users of the infrastructure.

The Meander Mini Hydro Power station was developed in conjunction with the building of the Meander Dam and the development of the Greater Meander Irrigation Scheme.

The Power Station was entirely debt funded, independent of the irrigators in the scheme.

Revenue from the power station is used to service the associated outstanding debt and contribute to the operating costs of the Meander Dam.





Non-TI-Irrigation Scheme Locations



Map Scale 1:1,500,000
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Map Number: GEN-402769-000
Version: 006
Date: 19/04/2018
Author: N Sands
Tasmanian Irrigation



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Corporate Governance.

Tasmanian Irrigation Pty Ltd (the Company) is a statutory Company, formed under the *Irrigation Company Act 2001* and is owned by the Tasmanian Government. Its Shareholder Ministers are the Treasurer and the Minister for Primary Industries and Water.

Shareholder expectations in relation to the Company's objectives, performance, reporting, financial and other matters are listed in the Shareholders' Statement of Expectations.

A Governance Framework Guide for Tasmanian Government Businesses and State-Owned Companies was released by the State Government in October 2008.

The Guide refers to the eight core principles underlining good corporate governance as recommended by the ASX Corporate Governance Council for listed companies.

The Shareholder Ministers, while noting that the principles are not mandated, expressed an expectation that relevant core principles would be adopted by Boards of Government Businesses and State-Owned Companies.

The Company's Board operates under a framework that is consistent with the ASX Corporate Governance recommendations:

Principle One: Lay solid foundations for management and oversight

The Company Board is made up of five independent Non-Executive Directors. The responsibilities of individual Directors and the Company's expectations of them are set out in their letters of appointment.

The key roles of the Company Board are to:

- Set the strategic direction of the Company;
- Appoint and review the performance of the Chief Executive Officer (CEO);
- Adopt stringent and appropriate processes for risk assessment and management;
- Ensure accountability to the Shareholders; and
- Appear before and respond to Parliamentary Scrutiny Committees if required.

The Company Board is reviewing current processes for assessing overall board performance on an annual basis. While individual Director performance reviews are carried out, and are a requirement for Director reappointment by Shareholders, the Board is assessing whether there may be a need to establish and adopt mechanisms to review the overall combined performance of the Board and individual Directors and address issues that may emerge from that review.

Principle Two: Structure the Board to add value

All Company Directors are independent of management. The Chair is an independent Director and is not an executive of the Company. Directors are selected and appointed by the Government Shareholder Members based on their skills and experiences and in consideration of diversity and independence, probity and background checks. This process includes a performance evaluation for those Directors seeking reappointment. New Directors undertake a comprehensive induction program, including briefings from the CEO and senior management.

Principle Three: Promote ethical and responsible decision making

The Board is committed to maintaining the highest ethical standards and complying with all applicable legislation, lawful directions from Shareholder Members and Company policies. Each Director is bound to uphold the Personal Conduct Policy by exhibiting model performance, behaviour and conduct that is in line with the Policy during their engagement.

Directors must promote the Policy and ensure that any potential breaches are taken seriously, identified and reported and acted upon appropriately.

The Policy underpinned by (other) policies and procedures that articulate the expectation to act ethically and responsibly, as well as comply with legislative and regulatory obligations.

These include the *Right to Information Act 2009*; the *Public Interest Disclosures Act 2002*; the *Personal Information Protection Act 2004* and the *Integrity Commission Act 2009*.

Directors have an ongoing requirement to notify the Board of any material personal interest in any matter relating to the affairs of the Company. The Board, via the Company Secretary, maintains a register of declarations of interests which is updated regularly. To the extent that there may be a conflict, this is managed appropriately in accordance with the Company's policy and protocols.

Principle Four: Safeguard integrity in financial reporting

The Board operates an Audit and Compliance Committee that assists the Board to discharge its duties in relation to its corporate and financial reporting processes, internal and external audit, and compliance.

Under the Committee Charter, the Committee must meet not less than three times a year. The Committee reviews the Company's financial statements and associated reports and recommends them to the Board for consideration. As part of the end-of-year processes, the Committee ensures the CEO and Chief Financial Officer provide the required declarations under S295A of the *Corporations Act* and formally sign the accounts before it makes any recommendations to the Board.

Corporate Governance.

Principle Four Continued...

The Company Constitution provides that the Company is required to use the Tasmanian Auditor-General for its external audit. Members confirm the appointment of the external auditor at each Annual General Meeting. The auditor attends the Annual General Meeting to discuss any issues with members.

The Committee also meets with the external auditor without management present from time to time. The Company's Annual Reports are provided to Shareholder Members by the end of October each year. The Reports are tabled in each House of the Tasmanian Parliament and are subject to the scrutiny of all Members of Parliament and the community.

Principle Five: Make timely and balanced disclosure

The Company is not a listed company and is not required to comply with the ASX Listing Rule disclosure requirements. However, as a State-owned Company, it is required by legislation and its Constitution to communicate with its Shareholder Members and others, via regular and irregular reporting and other means of communication.

In practice, there is a flow of information throughout the year on important matters to ensure Shareholder Members are kept informed.

If the Directors at any time form the opinion that matters have arisen that may prevent, or significantly affect achievement of the objective, strategies, policies or financial targets of the Company, the Directors must promptly notify the Shareholder Members.

Details about disclosures made under the RTI Act; the PID Act; and the PIP Act, if any, are set out on page 46 of this document.

Principle Six: Respect the rights of Shareholders

The Company's Constitution specifies the rights and powers of the Shareholder Members. The Board has procedures for communication with Shareholder Members to ensure they have timely access to information about the Company, including its financial situation, performance, governance and any sensitive matters about which they need to be aware.

Consistent with the *Irrigation Company Act 2011*, Directors and the Company must comply with the lawful directions given in writing by the Shareholder Members.

Principle Seven: Recognise and manage risk

The Board is committed to ensuring the Company effectively manages its strategic, financial, operational, reputational and emergency risks. The Board also ensures that an effective system of risk management and internal control operates within the Company and that it regularly monitors the performance of that system. The Board has set a Risk Appetite and Risk Tolerance consistent with its readiness to bear risk in order to meet its strategic objectives. The Company's Enterprise Risk Management Framework (ERM) based on AS/NZS ISO 31000:2015 is approved by the Board.

The Senior Leadership Team discuss and review emerging and actual risks in the Company's external and internal environment and use this analysis to make decisions and agree on risk mitigation plans. They report on risk and risk management to the Board. The Board discharges its duties by reviewing the reports provided by the Senior Leadership Team, monitoring the strength and reliability of the ERM and assessing the status of risk in the Company. A formal risk assessment process, to document the organisational strategic risk profile, has been undertaken and this profile is subject to annual review.

The Company provides its Shareholder Members with information about risk by including key financial and operational risks in the annual Corporate Plan and regularly discussing risks at Shareholder Member briefings.

Principle Eight: Remunerate fairly and responsibly

In accordance with the Company's Constitution, Directors are paid remuneration as is resolved by the Members from time to time. The Board has established a Remuneration Committee, which meets at least twice a calendar year and is responsible for ensuring that remuneration policies and practices are fair and responsible. Under its Charter, the Remuneration Committee's role is to:

- Ensure that coherent remuneration policies and practices are observed, which enable the attraction and retention of senior management and staff who will achieve the aims of TI;

- Ensure these remuneration policies, practices and performance indicators are aligned to the Board's vision, values and overall business objectives;

- Monitor the performance of the CEO and key performance indicators to determine and recommend to the board performance criteria and payments;

- Fairly and responsibly reward senior management and staff having regard to the Company's performance, the performance of senior management and general conditions of the labour market; and

- Comply with all relevant statutory and regulatory provisions.

The Committee approves the annual remuneration report and makes recommendations to the Board for the inclusion of the Remuneration report in the Company's annual financial report, ensuring that remuneration arrangements of the CEO and other senior executive officers are disclosed in accordance with any applicable governance, accounting and legal requirements.



Public Interest Disclosures

Under the *Public Interest Disclosures Act 2002*, Tasmanian Irrigation is required to report on any disclosures about improper conduct by its employees or Tasmanian Irrigation.

In accordance with the requirements of section 86 of the Act, Tasmanian Irrigation advises that:

a. Tasmanian Irrigation's procedures in relation to Public Interest Disclosures are available at www.tasmanianirrigation.com.au or via email enquiries@tasirrigation.com.au or via post PO Box 84, Evandale, TASMANIA, 7212.

b. No disclosures of public interest were made to Tasmanian Irrigation during the year;

c. No public interest disclosures were investigated by Tasmanian Irrigation during the year;

d. No disclosed matters were referred to Tasmanian Irrigation during the year by the Ombudsman;

e. No disclosed matters were referred during the year by Tasmanian Irrigation to the Ombudsman to investigate;

f. No investigations of disclosed matters were taken over by the Ombudsman from Tasmanian Irrigation during the year;

g. There were no disclosed matters that Tasmanian Irrigation decided not to investigate during the year;

h. There were no disclosed matters that were substantiated on investigation as there were no disclosed matters;

i. The Ombudsman made no recommendations under the Act that relate to Tasmanian Irrigation.

Right to Information

Tasmanian Irrigation is committed to complying with the *Right to Information Act 2009* and to ensuring that it responds in a timely, accurate and fair manner to any applications lodged.

The Company received no applications for an assessed disclosure of information under section 13 of the RTI Act. The Company did receive two third party consultation requests under section 37 of the RTI Act and responded to those consultations within the requested timeframes.

Personal Information Protection

Tasmanian Irrigation is subject to the *Personal Information Protection Act 2004*, which prescribes personal information protection principles for Tasmania. Tasmanian Irrigation values and respects the privacy of all personal and sensitive information.

No Personal Information Protection complaints were received by the Company during 2018/19.



Buy Local, Consultancies and Payment of Accounts.

Tasmanian Irrigation is committed to complying with the State Government's Buy Local Policy, ensuring a transparent procurement process and paying accounts on time. The principles of the Treasurer's guidelines are:

- Buy Local by encouraging Tasmanian Government businesses to purchase from Tasmanian suppliers;
- Increased disclosures on the use of consultants; and
- Payment of Accounts: requiring the implementation of appropriate policies and procedures to ensure all accounts are paid on time and, if not, interest is paid for late payments.

Buy Local

A Tasmanian business is defined as a business operating in Tasmania, which has a permanent office or presence in Tasmania and employs Tasmanian workers. Purchases are defined to include operating expenses (excluding employment expenses, finance expenses and depreciation), as well as capital expenditure.

Purchases from Tasmanian businesses	2018/19	2017/18	2016/17
% of purchases from Tasmanian businesses	94.36%	94.86%	84.52%
Value of purchases from Tasmanian businesses	\$59,158,151.82	\$55,776,120.12	\$49,233,549.59

Contractors

The guidelines provide the following definition:

- A "Contractor" is an individual or organisation engaged under a contract (other than as an employee) to provide goods and/or services to an entity. A contractor will usually work under the supervision of an entity manager.

Contract / works package	Procurement method	Buy local policy applied	Tender awarded to	State
Scottsdale Irrigation Scheme—Ductile Iron Cement Lined Pipe Supply	Open Tender	Yes	Clover Pipelines Pty Ltd	VIC

Consultancies

The guidelines provide the following definition:

- A “Consultant” is a particular type of contractor who is engaged to provide recommendations or specialist or professional advice (or more generally non-manual services) to assist or influence an entity’s decision making.

Consultancies valued at more than \$50,000 (excluding GST) to 30 June 2019:

Consultant	Location	Description	Amount (exc. GST)
Pitt and Sherry	TAS	Engineering and environmental advice	\$511,309.54
RPS Australia East Pty Ltd	QLD	Project management	\$324,500.00
KPMG	TAS	Finance and accounting advice (inc. interim CFO)	\$229,074.44
Macquarie Franklin	TAS	Agriculture and environmental advice	\$222,294.58
Fulcrum Commercial Pty Ltd	TAS	Management consulting	\$177,846.00
Esk Mapping & GIS	TAS	Data management	\$65,719.86
RM Consulting Group Pty Ltd	VIC	Agriculture and environmental advice	\$61,595.55
W A Cromarty & Co	TAS	Engineering Advice	\$59,786.38
39 consultants were paid under \$50,000 (exc. GST)			\$735,045.83
TOTAL			\$1,875,862.64

Fruit and Vegetable Export Facilitator

Tasmanian Irrigation manages the engagement of a Fruit and Vegetable Export Facilitator, who reports directly to a joint private and public taskforce — the Tasmanian Fruit and Vegetable Export Facilitation Group. The focus of this role is to support broader export market development and maintenance strategies.

All engagement expenses incurred by Tasmanian Irrigation for this position are covered in full by private sector funds and State and Federal Government grants. As part of delivering this role, he incurred \$15,682 in overseas travel expenses. Tasmanian Irrigation does not make any financial contribution toward this position.

Payment of Accounts

The Tasmanian Government's Guidelines requires Government-owned businesses:

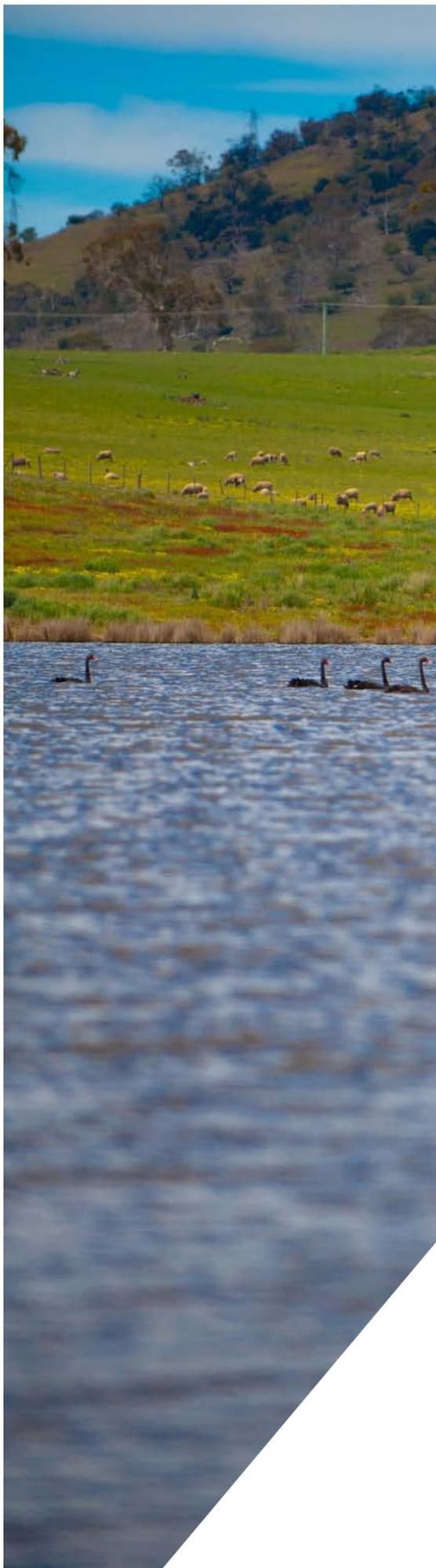
- To implement appropriate policies and procedures to ensure that all accounts are paid on time and, if not, interest is paid for late payments;
- Pay invoices of less than \$50,000 within 30 days, or if a shorter term has been agreed, within the shorter term; and
- Pay invoices of \$50,000 and above in accordance with agreed terms and by the due date.

The expectation is that Tasmanian Irrigation will pay all invoices correctly rendered by suppliers within the period specified by the supplier, or where the contract is silent on payment requirements, within 30 calendar days of the date of a correctly rendered invoice.

Accounts due or paid within each year	2018/19	2017/18	2016/17
Creditor days	21.48	10.91	19.4
Number of accounts due for payment	2,383	2,808	3,232
Number of accounts paid on time	2,360	2,742	2,746
Amount due for payment	\$62,694,099	\$58,798,912.10	\$58,248,728.81
Amount paid on time	\$61,388,471	\$52,517,103.77	\$51,178,745.29
Number of payments for interest on overdue accounts	Nil	Nil	Nil
Interest paid on overdue accounts	Nil	Nil	Nil

Reasons for delay

Generally accounts that have not been paid on time have had some sort of query related to them.



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ABN: 95 722 799 075 / ACN 133 148 384

Hon. Peter Gutwein MP
Treasurer
Shareholder Member, Tasmanian Irrigation
Level 9, Executive Building
15 Murray Street
Hobart TASMANIA 7000

Hon. Guy Barnett MP
Minister for Primary Industries and Water
Shareholder Member, Tasmanian Irrigation
Level 9, Executive Building
15 Murray Street
Hobart TASMANIA 7000

4 October 2019

Dear Shareholder Members

RE: Tasmanian Irrigation Pty Ltd Annual Report 2018/19

In accordance with section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament the Report of Tasmanian Irrigation Pty Ltd for 2018/19 ending 30 June 2019.

The Report has been prepared in accordance with the provisions of the *Government Business Enterprise Act*.

Signed in accordance with a resolution of Directors.

Yours faithfully

A handwritten signature in blue ink, appearing to read "S Hogg", is written over a solid black horizontal line.

Ms Samantha Hogg

CHAIRMAN

A handwritten signature in blue ink, appearing to read "M Chilvers", is written over a solid black horizontal line.

Mr Michael Chilvers

NON-EXECUTIVE DIRECTOR

Tasmanian Irrigation Pty Ltd

Directors' Report—For the Year Ended 30 June 2019

The directors present their report together with the financial report of Tasmanian Irrigation Proprietary Limited (“the Company”) for the financial year ended 30 June 2019 and the independent auditor’s report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name and term	Status and committees	Other directorships
Ms Samantha Hogg Chair Appointed: 9 September 2016 Term to: 8 September 2019	Independent Non-Executive Director -Remuneration Committee Chair	-Hydro Electric Corporation -Tasmanian Railway Pty Ltd (Chair) -MaxiTrans Industries Ltd -North Esk Agriculture Pty Ltd -Australian Renewable Energy Agency -Infrastructure Australia
Dr John Whittington Appointed: 1 February 2015 Term to: 31 January 2020	Independent Non-Executive Director -Remuneration Committee Chair	-Department of Primary Industries, Parks, Water and Environment (Secretary) -Director National Parks and Wildlife Services (statutory) -Director-General of Lands (statutory) -Tasmanian Institute of Agriculture Advisory Board (Chair) -Institute of Marine and Antarctic Studies Board
Mr Peter Michael Chilvers Appointed: 8 December 2015 Term to: 30 June 2019*	Independent Non-Executive Director -Remuneration Committee Member -Audit and Risk Committee Member	-Starston Farms Pty Ltd -Tasmanian Agricultural Producers Pty Ltd (Chair) -TBC AG Pty Ltd -Winburn Tas Pty Ltd
Mr Guy Kingwill Appointed: 24 January 2017 Term to: 24 January 2020	Independent Non-Executive Director -Remuneration Committee Member -Audit and Risk Committee Chair	-Lower Murray Water Urban and Rural Water Corporation -Kingwill Pty Ltd -Agriculture Capital Management Australia Pty Ltd -ACMII Australia 1 Pty Ltd -ACMII Australia 2 Pty Ltd -ACMII Australia 3 Pty Ltd -ACMII Australia 4 Pty Ltd -ACMII Australia 5 Pty Ltd -ACMII Australia 6 Pty Ltd -Legacy Packing Pty Ltd -Sun Country Fresh Marketing Pty Ltd -Blackwood Stateside Pty Ltd

Tasmanian Irrigation Pty Ltd

Directors' Report—For the Year Ended 30 June 2019

1. Directors (continued)

Name and term	Status and committees	Other directorships
Mr Chris Thompson Appointed: 2 July 2018 Term to: 1 July 2021	Independent Non-Executive Director -Audit and Risk Committee Member -Remuneration Committee Member	-Staffco Pty Ltd -AGRM Pty Ltd – resigned 7 July -MacFrank-Ag Pty Ltd – resigned 7 July

*Pursuant to section 21A of the *Acts Interpretation Act 1931* Mr Chilvers' term is extended by six months or until reappointment (which ever occurs first).

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the year ended 30 June 2019 were:

Director	Board Meetings		Audit and Compliance Committee		Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Samantha Hogg	13	13	-	-	1	1
John Whittington	13	12	-	-	1	1
Michael Chilvers	13	13	6	6	1	1
Guy Kingwill	13	12	6	6	1	1
Chris Thompson	11	11	4	4	1	1

2. Principal activities

The Company's principle purpose is to develop, own and operate irrigation schemes in Tasmania and where feasible and appropriate, to facilitate local community management of these schemes.

3. Operating and financial review

Water delivery

The Company owns and manages the water delivery operations of 16 irrigation schemes, owns the infrastructure of two locally managed irrigation schemes, as well as managing Togari Water Supply Scheme, two river improvement schemes, one drainage scheme and two standalone dams.

Tasmanian Irrigation Pty Ltd

Directors' Report—For the Year Ended 30 June 2019

3. Operating and financial review

Business strategies and prospects

The Company's primary focus is to efficiently deliver up to 108,587 ML of water to 921 entitlement holders. The Company continues to design, develop and construct irrigation schemes. Following on from the successful development of 10 schemes in Tranche One, the Company is delivering a further five schemes in Tranche Two. Of the five schemes, four have now been completed whilst the remaining one is in construction.

Tranche Three "Pipeline to Prosperity" builds on the investigatory work undertaken through a Future Irrigation Federal Funding grant with the State Government having already committed \$70 million and the Commonwealth Government \$100 million toward construction costs.

Operating result

The Company's underlying performance, excluding the sale of water entitlements, the impairment of non-current assets and the impairment of operating grants was a deficit of \$1,318,057 (2018: deficit of \$3,445,398). This is reconciled to the following amounts in the annual financial report:

	Note	30 June 2019	30 June 2018
Total comprehensive profit (loss) for the year		(58,483,560)	(22,903,099)
Revenue from sale of water entitlements	B2	(18,617,300)	(10,747,655)
Impairment expense for non-current assets	B2	75,782,803	30,205,356
Surplus/(deficit) excluding sale of water entitlements, impairment of noncurrent assets		(1,318,057)	(3,445,398)

The Company's total comprehensive profit (loss) for the year is set out on page 63 of this Annual Report. The Company's net result was a loss of \$58,483,560 after impairment of non-current assets of \$75,782,803 (2018: loss of \$22,903,099 after impairment of \$30,205,356 of non-current assets).

In accordance with the Company's accounting policies, assets are reviewed annually for impairment. As a result of this review, an impairment expense of \$75,782,803 (2018: \$30,205,356) has been recognised in the statement of profit or loss and other comprehensive income. The majority of this impairment expense (\$75,278,919) resulted from the commissioning of the Duck Irrigation Scheme, Swan Valley Irrigation Scheme and North Esk Irrigation Scheme.

The reported loss for the financial year is predominately due to the accounting treatment to recognise Government contributions for the construction of irrigation schemes directly as equity whereas the sale of water entitlements and all of the impairment expense are recognised in the statement of profit or loss and other comprehensive income.

Balance sheet

The Company's trade and other receivables balance of \$15,968,785 (2018: \$5,817,013) was an increase of \$10,151,722 compared to the 2018 financial year. The majority of this (\$9,422,623) was due to the billing of the final payments for water entitlements resulting from the commissioning of the Duck Irrigation Scheme, Swan Valley Irrigation Scheme and North Esk Irrigation Scheme.

Tasmanian Irrigation Pty Ltd

Directors' Report—For the Year Ended 30 June 2019

4. Environmental regulations

The Company's operations are subject to the *Environmental Management and Pollution Control Act 1994*, *Land Use Planning and Approvals Act 1993*, *Water Management Act 1999*, *Threatened Species Protection Act 1995*, *Historic Cultural Heritage Act 1995*, *Aboriginal Heritage Act 1975* and the *Environment Protection and Biodiversity Conservation Act 1999*.

No notices were served, nor prosecutions launched against the Company under the various legislations, during the financial year. In addition, the Company recorded no statutory reportable incidents for the period.

5. Dividends

No dividends were paid or declared by the Company to shareholders during the financial period.

6. Events subsequent to reporting date

There were no significant events subsequent to reporting date.

7. Directors' interests

The Directors have no interest in the Company with all shares held by the Minister for Primary Industries and Water and the Treasurer in trust for the Crown.

8. Indemnification and insurance of officers

The Company paid \$34,716 in insurance premiums during the year in respect of Directors, Company Secretary and executive officers of the Company against a liability incurred as such a Director, Company Secretary or executive officer to the extent permitted by the *Corporations Act 2001*.

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

9. Compliance with Guidelines for Tasmanian Government Business

During the year, the Company has complied with the Guidelines for Tasmanian Government Business – Directors and Executive remuneration.

10. Auditor's independence declaration

The Auditor's independence declaration forms part of the directors' report for the financial year ended 30 June 2019.



Samantha Hogg - Chairman

Dated at Western Junction this 9th day of August 2019.



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

9 August 2019

The Board of Directors
Tasmanian Irrigation Pty Ltd
PO Box 84
EVANDALE TAS 7212

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 Irrigation Pty Ltd for the financial year ended 30 June 2019, 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

A handwritten signature in black ink, appearing to read "Ric De Santi".

Ric De Santi
Deputy Auditor-General
Delegate of the Auditor-General

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Tasmanian Irrigation Pty Ltd

Directors' Declaration—For the Year Ended 30 June 2019

In the opinion of the Directors of Tasmanian Irrigation Proprietary Limited ('the Company'):

- (a) The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019;
- (d) The Directors draw attention to note A2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards and note A3 which includes a statement regarding the Company's dependence on Government contributions.

Signed in accordance with a resolution of the Directors:

Dated at Western Junction this 9th day of August 2019.



Samantha Hogg — Chairman

Dated at Western Junction this 9th day of August 2019.



Independent Auditor's Report

To the Members of Tasmanian Irrigation Pty Ltd

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the Tasmanian Irrigation Pty Ltd (the Company) which comprises the statement of financial position as at 30 June 2019, the statements of profit or loss and other 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 2019 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* (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 9 August 2019 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.

...1 of 4

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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
--	---

Impairment of dams and water infrastructure assets	
---	--

<i>Refer to notes B6</i>	
--------------------------	--

<p>The Company had dams and water infrastructure assets with aggregate carrying values of \$49.7m at 30 June 2019.</p>	<ul style="list-style-type: none"> • Testing, on a sample basis, the accuracy and relevance of the input data used in management's calculations.
--	---

<p>These assets are measured at cost and reviewed annually for impairment. An impairment expense of \$75.78m was recorded in 2018-19 to reduce the value of these assets to their estimated recoverable values as represented by the value of unsold water rights.</p>	<ul style="list-style-type: none"> • Reconciling input data to supporting evidence, including the water entitlements register. • Assessing the calculations for mathematical accuracy.
--	--

<p>The valuation of unsold water rights and the subsequent impairment assessment are dependent upon management judgement, including estimating the quantity and timing of future water rights sales and applying a discount rate to future cash flows.</p>	<ul style="list-style-type: none"> • Challenging the reasonableness of management's assumptions based on our knowledge of the business. • Evaluating disclosures in the notes to the financial report for compliance with Australian 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 2019, 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.

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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

...3 of 4

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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, related safeguards.

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.



Ric De Santi
Deputy Auditor-General
Tasmanian Audit Office
20 August 2019
Hobart

...4 of 4

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Tasmanian Irrigation Pty Ltd

Statement of financial position— for the year ended 30 June 2019

	Note	30 June 2019	30 June 2018
Assets			
Cash and cash equivalents	C1	22,023,292	11,221,829
Trade and other receivables	C2	15,968,785	5,817,013
Inventories	C3	270,334	416,047
Prepayments		287,861	341,332
Other financial assets	F2	21,730	295,878
Total current assets		38,572,002	18,092,099
Other financial assets	F2	246,682	306,374
Property, plant and equipment	B6	51,116,117	81,144,914
Other assets	F3	426,348	426,348
Total non-current assets		51,789,147	81,877,636
Total assets		90,361,149	99,969,735
Liabilities			
Trade and other payables	C4	11,761,516	10,191,735
Loans and borrowings	E1	24,921,891	24,907,501
Employee benefits	D1	467,827	418,597
Deferred income	C5	1,627,837	1,710,758
Unearned revenue	C6	1,351,373	2,459,507
Total current liabilities		40,130,444	39,688,098
Loans and borrowings	E1	1,969,670	2,261,561
Employee benefits	D1	232,295	180,888
Deferred income	C5	8,388,319	7,893,181
Total non-current liabilities		10,590,284	10,335,630
Total liabilities		50,720,728	50,023,728
Net assets		39,640,421	49,946,007
Equity			
Share capital	E3	283,059,793	234,881,819
Retained earnings/(accumulated losses)		(243,419,372)	(184,935,812)
Total equity		39,640,421	49,946,007

-The notes on pages 66 to 110 are an integral part of these financial statements.

Tasmanian Irrigation Pty Ltd

Statement of profit or loss and other comprehensive income

— for the year ended 30 June 2019

	Note	30 June 2019	30 June 2018
Continuing operations			
Revenue from contracts with customers	B2	32,310,163	23,713,084
Government contributions	B3	2,589,012	1,660,057
Other income	B3	1,986,031	1,432,634
Finance income	B3	108,946	262,083
		36,994,152	27,067,858
Depreciation and amortisation	B6	(769,804)	(760,034)
Employee benefits	B4	(4,725,773)	(5,615,932)
Impairment loss - trade receivables		(107,655)	(78,367)
Impairment expense – land, dams and water infrastructure	B6	(75,782,803)	(30,205,356)
Operations and maintenance expenses	B4	(11,623,274)	(9,675,226)
Administrative expenses	B4	(1,394,272)	(1,837,511)
Finance costs	E2	(1,074,131)	(1,798,531)
Loss from continuing operations		(58,483,560)	(22,903,099)
Tax (expense) benefit	B5	-	-
Profit (loss) for the year after tax before comprehensive income		(58,483,560)	(22,903,099)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive profit (loss) for the year		(58,483,560)	(22,903,099)

-The notes on pages 66 to 110 are an integral part of these financial statements.

Tasmanian Irrigation Pty Ltd

Statement of changes in equity — for the year ended 30 June 2019

Attributable to owners of the Company	Note	Share capital	Retained earnings (losses)	Total equity
Balance at 1 July 2017		189,390,142	(159,622,713)	29,767,429
Total comprehensive income for the year				
Profit or loss		-	(22,903,099)	(22,903,099)
Total other comprehensive income		-	-	-
Total comprehensive income for the year		-	(22,903,099)	(22,903,099)
Transactions with owners, recorded directly in equity				
Re-classification of Government contribution		2,410,000	(2,410,000)	-
Capital contributions from Government	E3	43,081,677	-	43,081,677
Total contributions by and distributions to owners of the Company		45,491,677	(2,410,000)	43,081,677
Transfers between equity components				
Transfer between reserves		-	-	-
Total transfer between equity components		-	-	-
Balance at 30 June 2018		234,881,819	(184,935,812)	49,946,007
Total comprehensive income for the year				
Profit or loss		-	(58,483,560)	(58,483,560)
Total other comprehensive income		-	-	-
Total comprehensive income for the year		-	(58,483,560)	(58,483,560)
Transactions with owners, recorded directly in equity				
Re-classification of Government contribution		-	-	-
Capital contributions from Government	E3	48,177,974	-	48,177,974
Total contributions by and distributions to owners of the Company		48,177,974	-	48,177,974
Transfers between equity components				
Transfer between reserves		-	-	-
Total transfer between equity components		-	-	-
Balance at 30 June 2019		283,059,793	(243,419,372)	39,640,421

-The notes on pages 66 to 110 are an integral part of these financial statements.

Tasmanian Irrigation Pty Ltd

Statement of cash flows — for the year ended 30 June 2019

	Notes	30 June 2019	30 June 2018
Cash flows from operating activities			
Cash receipts from customers		20,876,206	19,546,016
Cash receipts from Government grants		2,007,490	524,093
Cash paid to suppliers and employees		(20,888,194)	(19,840,005)
Cash generated from (used in) operations		1,995,502	230,104
Interest received		108,946	171,064
Payment of interest on borrowings		(1,074,131)	(1,798,532)
Net cash from (used in) operating activities	C1	1,030,317	(1,397,364)
Cash flows from investing activities			
Cash receipts from water entitlements		8,420,383	10,811,576
Proceeds from sale of property, plant and equipment		39,498	-
Payments for property, plant and equipment		(46,589,208)	(38,690,795)
Proceeds from investments		-	395,050
Net cash used in investing activities		(38,129,327)	(27,484,169)
Cash flows from financing activities			
Capital contributions from Government		48,177,974	43,081,677
Repayment of borrowings		(277,501)	(20,778,453)
Proceeds from borrowings		-	-
Net cash from financing activities		47,900,473	22,303,224
Net increase/(decrease) in cash and cash equivalents		10,801,463	(6,578,309)
Cash and cash equivalents at 1 July		11,221,829	17,800,138
Cash and cash equivalents at 30 June	C1	22,032,292	11,221,829

-The notes on pages 66 to 110 are an integral part of these financial statements.

Tasmanian Irrigation Pty Ltd

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Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Section A – About this report

This section provides broad information relating to the nature of the company's business, the structure of this financial report and significant accounting policies not covered elsewhere in this report.

- | | |
|---------------------------|--|
| A1. Reporting entity | A4. Significant accounting policies |
| A2. Basis of preparation | A5. Adoption of New Accounting Standards |
| A3. Government dependency | |

A1 Reporting entity

Tasmanian Irrigation Proprietary Limited (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is Level 2 Terminal Building, Launceston Airport, Evandale Main Road, Western Junction, Tasmania.

The Company is a for profit entity and its principle purpose is to develop, own and operate irrigation schemes in Tasmania and where feasible and appropriate, facilitate local community management of these schemes. The Company is to operate its businesses and activities effectively and efficiently and in accordance with sound commercial practice, in accordance with the requirements for a State Owned Company.

A2 Basis of preparation

(a) Statement of compliance — The financial statements are general purpose financial statements, which have been prepared in accordance with the Australian Accounting Standards (AASBs) and interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 9 August 2019.

This is the first set of the Company's annual financial statements in which AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* have been applied. Adoption of new Accounting Standards is described in Note A5.

(b) Basis of measurement — The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

(c) Functional currency and presentation — These financial statements are presented in Australian dollars, which is the Company's functional currency. Where necessary, comparative figures are adjusted to conform with changes in presentation in the current year.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

A2 Basis of preparation (continued)

(d) Use of estimates and judgements — The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note B6 – impairment of property, plant and equipment.

A3 Government dependency

The Company receives contributions from the State and Federal Government towards the construction of approved capital projects and for some aspects of operating expenditure. During the year, the Company received \$50,185,464 (2018: \$43,605,770) of which \$48,177,974 (2018: \$43,081,677) represented equity contributions to capital projects and \$2,007,490 (2018: \$524,093) represented operating grant receipts. The State Government has undertaken to provide the Company with ongoing specified equity, and the Company is dependent upon receiving such funds.

A4 Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Other significant accounting policies are contained in the notes to the financial statements to which they relate.

i. Measurement of fair values: a number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. The finance team has overall responsibility for overseeing all significant fair value measurements, including Level Three fair values.

The Board of Directors regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

A4 Significant accounting policies (continued)

Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values of financial instruments is included in note E4.

A5 Adoption of new Accounting Standards

The Company has applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 July 2018. Due to the transition methods chosen by the Company in applying these Standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. The accounting policies included in the Company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives. Changes to the Company's accounting policies arising from these Standards are summarised below:

(i) AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of goods or services. Determining the timing of the transfer of control requires judgement.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. Revenue is recognised when the Company satisfies performance obligations by transferring the promised goods to its customers.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

A5 Adoption of New Accounting Standards (continued)

AASB 15 Revenue from Contracts with Customers (continued)

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as trade payables in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position.

The Company has adopted AASB 15 using the cumulative effect method (without practical expedients). The adoption of AASB 15 did not impact the amount or timing of revenue recognition for the Company.

The adoption of AASB 15 resulted in:

- The reclassification (in the comparative disclosures) of \$91,019 from “revenue from contracts with customers” (note B2) to “finance income” (note B3); and
- A reduction in segment revenue (in the comparative disclosures) of \$3,354,774 due to the exclusion of “other income” now shown separately in note B3.

(ii) AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. Additionally, the Company adopted the consequential amendments to AASB 7 *Financial Instruments: Disclosures*.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has not had a significant effect on the Company’s accounting policies relating to financial liabilities.

The following table explains the original measurement category under AASB 139 and the new measurement category under AASB 9 for each class of financial assets and liabilities at 1 July 2018. There have been no changes to the carrying amounts of financial assets and liabilities between AASB 139 and AASB 9.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

A5 Adoption of new Accounting Standards (continued)

AASB 9 Financial Instruments (continued)

	Original classification under AASB 139	New classification under AASB 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Other financial assets	Loans and receivables	Amortised cost
Other assets	Loans and receivables	Amortised cost
Financial liabilities		
Bank overdrafts	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost
Loan borrowings	Amortised cost	Amortised cost

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model.

The new impairment model applies to the Company's financial assets measured at amortised cost.

The Company determined the application of AASB 9's impairment requirements at 1 July 2018 results in no change to the allowance for impairment.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Section B – Business performance

This section provides information that is most relevant to understanding the financial performance of the Company during the financial year and where relevant, the accounting policies applied and the critical judgements and estimates made.

- | | |
|---|-----------------------------------|
| B1. Operating segments | B4. Expenses |
| B2. Revenue from contracts with customers | B5. Taxation |
| B3. Other income | B6. Property, plant and equipment |

B1 Operating segments

Identification of reportable segments

The Company has elected to provide segment reporting in accordance with AASB 8 Operating Segments. The Company determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (CEO) and the Board of Directors.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

All operating segments' operating results are regularly reviewed by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

The Company has identified the following reportable segments which differ in the nature of services provided:

Water Delivery — The Company owns and manages the water delivery operations of 16 irrigation schemes and owns the infrastructure of two locally-managed irrigation schemes, as well as managing Togari water supply scheme, two river improvement schemes, one drainage scheme and two standalone dams. The Company operates the irrigation schemes under a cost recovery model.

Hydro Power Stations — The Company operates the 2MW Hydro Power Station at Meander Dam and a 6MW Hydro Power Station as part of the Midlands Water Scheme.

Build — The Company designs, develops and constructs irrigation schemes through a successful public private funding partnership model.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Operating segments (continued)

Identification of reportable segments (continued)

Year ended 30 June 2019	Water Delivery	Hydro Power Stations	Build	Total
External revenue	8,005,380	5,687,483	18,617,300	32,310,163
Inter-segment revenue	-	-	-	-
Segment revenue	8,005,380	5,687,483	18,617,300	32,310,163
Segment profit/(loss) before tax	(3,543,010)	4,413,656	(59,354,206)	(58,483,560)
Interest income	-	-	108,946	108,946
Interest expense	(120,948)	(59,366)	(893,818)	(1,074,131)
Depreciation and amortisation	(138,929)	(92,437)	(538,438)	(769,804)
Other material non-cash items:				
- impairment of property, plant and equipment	-	(17,889)	(75,764,914)	(75,782,803)
Segment assets	11,896,348	10,154,215	68,310,586	90,361,149
Capital expenditure	-	-	46,523,810	46,523,810
Segment liabilities	(10,575,302)	(1,273,782)	(38,871,644)	(50,720,728)
Year ended 30 June 2018	Water Delivery	Hydro Power Stations	Build	Total
External revenue	6,719,559	6,203,523	10,790,002	23,713,084
Inter-segment revenue	-	-	-	-
Segment revenue	6,719,559	6,203,523	10,790,002	23,713,084
Segment profit/(loss) before tax	250,338	272,960	(23,426,397)	(22,903,099)
Interest income	-	-	246,969	246,969
Interest expense	(10,287)	(149,245)	(1,638,899)	(1,798,531)
Depreciation and amortisation	(535,181)	(71,485)	(153,368)	(760,034)
Other material non-cash items:				
- impairment of property, plant and equipment	(190,618)	-	(30,014,638)	(30,205,256)
Segment assets	13,767,443	6,091,469	80,110,823	99,969,735
Capital expenditure	-	-	42,310,401	42,310,401
Segment liabilities	(9,063,574)	(1,627,518)	(39,332,636)	(50,023,728)

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

B2 Revenue from contracts with customers

	2019	2018
Irrigation fees		
Irrigation water charges	8,005,380	6,761,907
Renewable energy generation		
Electricity generation	2,963,313	2,969,610
Renewable energy certificates	2,724,170	3,233,912
	5,687,483	6,203,522
Water entitlement revenue		
Dial Blythe Irrigation Scheme	342,000	144,000
Duck Irrigation Scheme	6,204,000	-
Greater Meander Irrigation Scheme	264,000	228,000
Kindred North Motton Irrigation Scheme	114,000	12,000
Midlands Water Scheme	115,000	1,037,735
North Esk Irrigation Scheme	7,027,500	-
Scottsdale Irrigation Scheme	(4,200)	-
South-East Irrigation Scheme Stage 3	918,000	189,000
Southern Highlands Irrigation Scheme	-	8,586,000
Swan Valley Irrigation Scheme	3,000,000	-
Upper Ringarooma Irrigation Scheme	72,000	228,000
Whitemore Irrigation Scheme	565,000	-
Winnaleah Irrigation Scheme	-	322,920
	18,617,300	10,747,655
Total revenue from contracts with customers	32,310,163	23,713,084

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Performance obligations and revenue recognition policies

Revenue is measured based on consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 (applicable from 1 July 2018)	Revenue recognition under AASB 118 (applicable before 1 July 2018)
Irrigation water charges	Customers obtain control of the supply of water when it is delivered. For asset renewal levies and operations and maintenance, this is when they are delivered. Invoices are raised periodically for the water supply and annually in advance for the asset renewal and operations and maintenance charges.	Revenue is recognised over time, ie. as the water is delivered or the services are provided to the customer.	Revenue was recognised as the water was delivered or the services were provided to the customer.
Renewable energy generation	Customer obtains the electricity as it is generated. Invoice is per unit of generated electricity. Renewable energy certificates (RECs) are created as electricity generation occurs. Invoices for RECs are done quarterly.	Revenue relating to electricity and RECs are recognised as the electricity is generated.	Revenue from electricity generation was recognised in profit and loss as it was generated. Renewable Energy Certificates generated during the year were created quarterly and income accrued utilising forward contracts.
Water entitlement revenue	Performance obligation is the commissioning of the relevant irrigation scheme. Payment terms vary, but are generally 30 days.	Revenue recognised at the point of commissioning the relevant scheme.	Water entitlement income from the sale the sale of water entitlements was recognised when settlement of the purchase contract occurred.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

B3 Other income

	2019	2018
Government contributions		
Grants received for operational funding	2,589,012	1,660,057
Finance income		
Interest income on loans provided for the acquisition of water entitlements	27,101	91,019
Interest income on cash funds invested	82,090	155,950
Late fees	(245)	15,114
	108,946	262,083
Other income		
Asset renewal levy	260,238	320,824
Gain on sale of non-current assets	39,498	23,646
Reimbursement of third party expenditure	750,785	480,050
External services	88,343	115,917
Other	847,437	492,197
	1,986,031	1,432,634
Total other income	4,683,989	3,354,774

Recognition and measurement

Finance income — Finance income comprises interest income on loans provided for the acquisition of water entitlements using the 10-year fixed plans for the Greater Meander Irrigation Scheme; interest income on cash funds invested; and late fees.

Interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

Revenues from Government contributions — Government funding where the substantial purpose is to purchase, construct or otherwise acquire non-current assets, the State Treasurer has formally designated this funding to be classified as equity. The funding is allocated directly to Share Capital and is reflected in the Statement of Changes in Equity. Other Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss as income in the same periods in which the expenses are recognised.

Asset renewal levy — Asset renewal levies are charged annually and collected from water entitlement holders for all irrigation schemes. The asset renewal levy is recognised initially as deferred income at fair value when invoiced. Revenue is recognised in profit and loss from deferred income in the same period as expenses are incurred for asset renewal undertaking.

Gain or loss on sale of non-current assets — Gain or loss on the sale of non-current assets is recognised when control of the asset has passed to the buyer.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

B4 Expenses

	Note	2019	2018
Employee benefits			
Salaries and wages		4,843,472	4,789,965
Salaries and wages capitalised		(1,023,445)	(618,811)
Other employee entitlements		507,145	944,792
Superannuation		398,601	499,986
		4,725,773	5,615,932
Operations and maintenance expenses			
Contractors and consultants		881,619	1,164,992
Maintenance		952,596	673,206
Water purchases (i)		5,298,667	4,462,001
Power charges (i)		2,282,909	2,056,098
Rates, land tax and insurances		496,122	519,014
Other operations and maintenance expenses		1,711,361	799,915
		11,623,274	9,675,226
Administration expenses			
External Audit fees		51,370	46,434
Internal Audit fees		20,206	-
Advertising and promotion		5,917	33,131
Travel expenses (ii)		82,911	74,857
Information technology and communication expenses (iii)		707,066	1,169,798
Training and professional development		108,194	108,502
Rental expenses		159,375	113,451
Other administration expenses		259,233	291,338
		1,394,272	1,837,511

(i) Operations and maintenance expense are higher in these areas due to an increase in the volume of water supplied this irrigation season compared to the prior year.

(ii) In 2019, there was no overseas travel incurred by the Board of Directors or the CEO. In 2018, there was no overseas travel incurred by the Board of Directors or the CEO.

(iii) Additional information technology expenditure was incurred in 2018 as the Company progresses with the implementation of Technology One financial system.

Recognition and measurement: Expenses are recognised in the statement profit or loss and other comprehensive income when it is probable that the outflow or the other depletion of future economic benefits has occurred and can be reliably measured.

Short term employee benefits: Short term employee benefits include salaries, wages, paid annual leave and paid sick leave entitlements. Short term employee benefits are measured on an undiscounted basis. Short term employee benefits are expensed as the related service is provided, unless the expenditure relates to self-constructed assets in which case it is capitalised in accordance with the accounting policy in Note B6.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

B5 Taxation

Current tax expense	2019	2018
Tax recognised in profit or loss		
Current tax expense		
Current year	-	-
Adjustment for prior periods	-	-
	-	-
Deferred tax expense		
Origination and reversal of temporary differences		
Decrease (increase) in deferred tax asset	(1,336,292)	(10,315,975)
Increase (decrease) in deferred tax liability	(10,181,340)	3,446,729
Tax benefits not recognised	11,526,644	7,592,246
Adjustment for prior years	(9,012)	(723,000)
	-	-
Total tax expense attributable to continuing operations	-	-

Numerical reconciliation between tax expense and pre-tax net profit	2019	2018
Profit/(loss) from operations	(58,483,560)	(22,903,099)
Income tax expense calculated at 27.5% (2018: 30%)	(16,082,979)	(6,870,929)
Non-temporary items	592	1,688
Adjustment for prior years	-	(723,000)
Tax rate change on temporary differences and tax losses from 30% to 27.5%	4,555,743	-
Tax benefit not recognised	11,526,644	7,592,241
Income tax expense	-	-

Unrecognised deferred tax assets	2019	2018
(Deferred tax assets have not been recognised in respect of the		
(Assessable) deductible temporary differences at 27.5% (2018: at 30%)	(10,717,908)	(20,917,372)
Tax losses at 27.5% (2018: at 30%)	76,913,464	75,586,284
	66,195,556	54,668,912

In addition to the above, deferred tax assets of \$13,147,833 at 27.5% (2018: \$14,343,090 at 30%) were not recognised in respect of taxation losses that are potentially available to the Company upon the acquisition of assets from Rivers and Water Supply Commission in July 2012. Pursuant to a Private Ruling obtained from the Australian Taxation Office, these losses will be available subject to the application of an available fraction methodology based upon the value of the assets acquired. All of the above deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

B5 Taxation (continued)

Movement in deferred tax balances during the year

	Balance 1 July 2018	Recognised in profit or loss	Tax benefit derecognised	Balance 30 June 2019	Opening balance not recognised 1 July 2018	Current year movement not recognised	Total tax benefit derecognised at 30 June 2019
Property, plant and equipment	-	10,128,225	(10,128,225)	-	(20,967,272)	10,128,225	(10,839,047)
Trade + other receivables	-	29,170	(29,170)	-	1,103	29,170	30,273
Inventories	-	50,472	(50,472)	-	(124,814)	50,472	(74,342)
Provisions	-	(8,403)	8,403	-	173,611	(8,403)	165,208
Other items	-	-	-	-	-	-	-
Tax loss carry-forwards	-	1,327,180	(1,327,180)	-	75,586,284	1,327,180	76,913,464
		11,526,644	(11,526,644)	-	54,668,912	11,526,644	66,195,556
	Balance 1 July 2017	Recognised in profit or loss	Tax benefit derecognised	Balance 30 June 2018	Opening balance not recognised 1 July 2017	Current year movement not recognised	Total tax benefit derecognised at 30 June 2018
Property, plant and equipment	-	(3,398,494)	3,398,494	-	(17,568,778)	(3,398,494)	(20,967,272)
Trade + other receivables	-	(29,314)	29,314	-	30,417	(29,314)	1,103
Inventories	-	(48,235)	48,235	-	(76,579)	(48,235)	(124,814)
Provisions	-	(4,888)	4,888	-	178,499	(4,888)	173,611
Other items	-	(41,710)	41,710	-	41,710	(41,710)	-
Tax loss carry-forwards	-	11,114,887	(11,114,887)	-	64,471,397	11,114,887	75,586,284
	-	7,592,246	(7,592,246)	-	47,076,666	7,592,246	54,668,912

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Recognition and measurement

(i) Current and deferred tax: The Company is subject to the National Tax Equivalent Regime, which is broadly based on the provisions of the *Income Tax Assessment Act (1997)*.

Income tax expense comprises current and deferred tax. Current and deferred income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) 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 Australian Tax Office (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 the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

B6 Property, plant and equipment

Note	Land and buildings	Dams	Water infrastructure	Other equipment	Total
Gross carrying amount					
Balance at 1 July 2017	280,882	59,841,810	251,194,734	2,746,564	314,063,990
Transfer between asset classes	-	-	637,267	(637,267)	-
Additions (i)	-	7,721,004	33,999,306	590,090	42,310,400
Disposals	-	-	-	(20,066)	(20,066)
Balance at 30 June 2018	280,882	67,562,814	285,831,307	2,679,321	356,354,324
Balance at 1 July 2018	280,882	67,562,814	285,831,307	2,679,321	356,354,324
Transfer between asset classes	-	-	(242,336)	15,691	(226,645)
Additions (i)	1,446,841	27,172,673	17,613,831	290,465	46,523,810
Disposals	-	-	-	(262,949)	(262,949)
Balance at 30 June 2019	1,727,723	94,735,487	303,202,802	2,722,528	402,388,540
Depreciation + impairment losses					
Balance at 1 July 2017	(110,090)	(58,851,337)	(184,099,637)	(1,182,956)	(244,244,020)
Depreciation for the year	-	(35,585)	(385,434)	(339,015)	(760,034)
Impairment loss (ii)	(131,022)	(7,867,796)	(22,206,538)	-	(30,205,356)
Disposals	-	-	-	-	-
Balance at 30 June 2018	(241,112)	(66,754,718)	(206,691,609)	(1,521,971)	(275,209,410)
Balance at 1 July 2018	(241,112)	(66,754,718)	(206,691,609)	(1,521,971)	(275,209,410)
Transfer between asset classes	-	1,558,919	(1,382,090)	49,816	226,645
Depreciation for the year	-	(35,437)	(382,935)	(351,432)	(769,804)
Impairment loss (ii)	(1,266,223)	(27,213,445)	(47,303,135)	-	(75,782,803)
Disposals	-	-	-	262,949	262,949
Balance at 30 June 2019	(1,507,335)	(92,444,681)	(255,759,769)	(1,560,638)	(351,272,423)
Carrying amounts					
at 1 July 2017	170,792	990,473	67,095,097	1,563,608	69,819,970
at 30 June 2018	39,770	808,096	79,139,698	1,157,350	81,144,914
at 30 June 2019	220,388	2,290,806	47,443,033	1,161,890	51,116,117
Expenditure included in carrying amounts in the course of construction:					
at 30 June 2018	-	-	39,658,548	-	39,658,548
at 30 June 2019	-	-	30,363,624	-	30,363,624

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Recognition and measurement – property, plant and equipment (continued)

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour; any other costs directly attributable to bringing the assets to a working condition for their intended use; and when the Company has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site.

Assets are only recognised when they have a cost (or fair value) greater than \$10,000 and a useful life in excess of one year or where, when grouped together with a number of other similar items with individual values below the capitalisation threshold, they represent a value which is a significant proportion of the total value of the Company's assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains or losses on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. Land held for use in the production or supply of goods or services is carried in the balance sheet at cost less any subsequent accumulated impairment losses.

Subsequent costs: Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

Depreciation: Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Land is not depreciated. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Dams and pipelines 100 years
- Drains 50 years
- Plant and equipment 5 - 20 years
- Pump stations 25 years
- Meters and pumps 25 years
- Vehicles 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Property, plant and equipment (continued)

(i) Additions

The additions to the property, plant and equipment relate to:

	2019	2018
Dial Blythe Irrigation Scheme	-	255
Don Irrigation Scheme	124	-
Duck Irrigation Scheme	1,306,895	22,448,805
Kindred North Motton Scheme	-	4,705
Midlands Water Scheme	71,354	37,497
North Esk Irrigation Scheme	14,196,408	11,731,039
Sassafras Irrigation Scheme	6,771	41,384
Scottsdale Irrigation Scheme	29,904,017	1,200,008
South Esk Irrigation Scheme	-	4,653
South East Irrigation Scheme (Stage 3)	248,165	4,780
Southern Highlands Irrigation Scheme	190,848	2,646,316
Swan Valley Irrigation Scheme	172,274	3,477,293
Upper Ringarooma Irrigation Scheme	-	38,592
Whitemore Irrigation Scheme	6,895	85,119
Other	420,058	589,954
	46,523,809	42,310,400

(ii) Impairment loss

Recognition and measurement - impairment: The carrying amounts of the Company's property, plant and equipment assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value with the following key assumptions:

- The amount and timing of unsold water entitlements, as well as ongoing costs and results of operations. Currently, pricing of ongoing annual operating water charges is based on a cost recovery model and as a result the Company is not forecasting any future cash inflows from operations.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Property, plant and equipment (continued)

Impairment loss (continued)

- A pre-tax discount rate of 7 per cent that reflects current market assessments of the time value of money and the risks specific to the asset. This discount rate is based on the current recommended Infrastructure Australia discount rate for assets of this nature. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” - CGU).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

During the year ended 30 June 2019, an impairment expense of \$75,782,803 (2018: \$30,205,356) has been recognised in the statement of profit or loss and other comprehensive income.

The majority of this expense primarily resulted from the impairment of the Duck Irrigation Scheme, Swan Valley Irrigation Scheme and North Esk Irrigation Scheme.

Water infrastructure development is funded by a combination of Government capital contributions and the sale of water entitlements to the public. The accounting treatment for these differ in that:

- Government capital contributions for the construction of the schemes are recognised directly in equity (note E3); and
- Sale of water entitlements is recognised as revenue in the statement of profit or loss and other comprehensive income (note B2).

Accumulated impairment losses: The impairment loss for each scheme commissioned to date, allocated between Government contributions and water entitlements and other revenue, is as follows (see table on the following page):

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

	Government contributions to 30 June 2019	Sale of water entitlements + other revenue to 30 June 2019	Total to 30 June 2019	Government contributions to 30 June 2018	Sale of water entitlements and other revenue to 30 June 2018	Total to 30 June 2018
Duck Irrigation Scheme	15,746,466	13,953,754	29,700,220	-	-	-
Swan Valley Irrigation Scheme	15,580,000	3,146,741	18,726,741	-	-	-
North Esk Irrigation Scheme	14,949,637	11,902,321	26,851,958	-	-	-
Dial Blythe Irrigation Scheme	11,061,295	2,566,824	13,628,119	11,061,295	2,456,466	13,517,761
Great Forester Irrigation Scheme	2,124,000	4,283,049	6,407,049	2,124,000	4,283,049	6,407,049
Kindred North Motton Irrigation Scheme	7,606,673	2,706,760	10,313,433	7,606,673	2,693,582	10,300,255
Lower South Esk Irrigation Scheme	8,814,272	5,602,554	14,416,826	8,814,272	5,602,554	14,416,826
Meander Valley Irrigation Scheme*	-	14,859,924	14,859,924	-	14,838,264	14,838,264
Midlands Water Scheme	65,487,723	25,254,693	90,742,416	65,487,723	25,227,639	90,715,362
Sassafras Wesley Vale Irrigation Scheme	6,114,000	5,738,118	11,852,118	6,114,000	5,719,849	11,833,849
South East Irrigation Scheme (Stage 1 + 2)	-	548,398	548,398	-	177,166	177,166
South East Irrigation Scheme (Stage 3)*	25,417,508	5,136,745	30,554,253	25,417,508	5,685,143	31,102,651
Southern Highlands Irrigation Scheme	22,906,229	6,492,379	29,398,608	22,906,229	6,428,210	29,334,439
Upper Ringarooma Irrigation Scheme	21,166,960	4,778,339	25,945,299	21,166,960	4,758,314	25,925,274
Whitemore Irrigation Scheme	5,050,000	5,830,056	10,880,056	5,050,000	5,618,776	10,668,776
Winnaleah Irrigation Scheme Augmentation	6,491,624	4,356,784	10,848,408	6,491,624	4,356,784	10,848,408
Togari, Montagu + Riley's Creek Schemes*	-	254,650	254,650	-	254,650	254,650
	228,516,387	117,412,090	345,928,477	182,240,284	88,100,446	270,340,730

*Funded by Government prior to acquisition by the Company

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Property, plant and equipment (continued)

Impairment loss (continued)

Following the recognition of impairment losses, the carrying values of these schemes included in property, plant and equipment, representing unsold water entitlements and the written down value of ancillary items that have a fair value, are as follows:

	2019	2018
Dial Blythe Irrigation Scheme	48,688	161,693
Duck Irrigation Scheme	-	-
Great Forester Irrigation Scheme	11,990	12,935
Kindred North Motton Irrigation Scheme	129,329	131,925
Lower South Esk Irrigation Scheme	4,653	-
Meander Valley Irrigation Scheme	1,626,382	1,660,559
Midlands Water Scheme	2,766,280	2,832,687
North Esk Irrigation Scheme	-	-
Sassafras Wesley Vale Irrigation Scheme	54,695	7,170
South East Irrigation Scheme (Stage 1 and 2)	18,329	18,712
South East Irrigation Scheme (Stage 3)	252,945	-
Southern Highlands Irrigation Scheme	49,783	115,504
Swan Valley Irrigation Scheme	-	-
Upper Ringarooma Irrigation Scheme	828,930	818,875
Whitemore Irrigation Scheme	703,192	839,290
Winnaleah Irrigation Scheme Augmentation	9,373	10,712
Togari, Montagu and Riley's Creek Schemes	313,552	317,097
	6,818,121	6,927,159

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Section C – Operating assets and liabilities

This section provides information relating to the operating assets and liabilities of the Company.

C1. Cash and cash equivalents	C4. Payables
C2. Receivables	C5. Deferred revenue
C3. Inventories	C6. Unearned revenue

C1 Cash and cash equivalents

	2019	2018
Bank balances	21,547,581	10,753,113
Short-term investments	-	-
Investments at call with Tascorp	475,711	468,716
Cash and cash equivalents in the statement of cash flows	22,023,292	11,221,829

(i) Recognition and measurement: Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note E4.

(ii) Reconciliation of profit/(loss) for the period and net cash used in operating activities: The reconciliation of the profit/(loss) for the period and net cash used in operating activities is detailed in the table on the following page:

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Operating assets and liabilities (continued)

Cash and cash equivalents (continued)

	2019	2018
Cash flows from operating activities		
Profit (loss) for the period	(58,483,560)	(22,903,099)
Adjustments for:		
Depreciation and amortisation	769,804	760,034
Impairment of current assets	107,655	78,367
Impairment of non-current assets	75,782,803	30,205,356
Proceeds from sales of water entitlements recognised as investing activities	(8,420,383)	(10,811,576)
(Gain) loss on sale of non-current assets	(39,498)	(23,646)
	9,716,821	(2,694,564)
Change in trade and other receivables	(10,259,427)	(459,477)
Change in prepayments	53,470	92,958
Change in inventories	145,712	(160,784)
Change in other assets	333,840	496,927
Change in trade and other payables	1,635,178	1,965,330
Change in provisions and employee benefits	100,637	(69,669)
Change in deferred income	412,217	(135,080)
Change in unearned revenue	(1,108,131)	(433,005)
Net cash provided by / (used in) operating activities	1,030,317	(1,397,364)

(iii) Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities.

Interest-bearing loans and borrowings	2019	2018
Balance at 1 July	27,169,062	47,947,515
Changes from financing cash flows:		
Cash received	-	-
Cash repayments	(277,501)	(20,778,453)
Balance at 30 June	26,891,561	27,169,062

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

C2 Receivables

	2019	2018
Trade receivables (i)	12,611,494	2,218,834
Impairment of trade receivables (ii)	(110,085)	(3,677)
Goods and services tax receivable	603,300	314,964
Accrued income	2,864,076	3,286,892
	15,968,785	5,817,013

(i) Trade receivables

Trade receivables are made up of annual charges relating to the operations of irrigation schemes as well as water entitlement sales.

Policy applicable from 1 July 2018

Trade receivables are initially recognised when they are originated and measured using the amortised cost approach, as represented by the transaction price. Trade receivables are subsequently measured at amortised cost, reduced by impairment losses. Any gain or loss on derecognition is recognized in profit or loss.

Policy applicable before 1 July 2018

Trade receivables were initially categorized as “loans and receivables”. Trade receivables were subsequently measured at amortised cost using the effective interest method.

(ii) Impairment of financial assets

	2019	2018
Movement in the allowance for impairment		
Balance at the beginning of the year	(3,677)	(101,391)
Impairment losses recognised on receivables	(110,085)	(66,105)
Reversal of impairment recognised on recovered receivables	3,677	16,792
Impaired receivables written-off during year	-	147,027
Balance at the end of the year	(110,085)	(3,677)

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Receivables (continued)

Policy applicable from 1 July 2018

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs. The Company assumes that the credit risk of a financial asset has increased significantly since initial recognition after the consideration of reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The credit risk on a financial asset is assumed to have increased significantly if it is more than 90 days past due. A financial asset is considered to be in default when the financial asset is more than 180 days past due, and there is no recourse available (eg. security held) to the Company.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the Company, and the cash flows it expects to receive. At each reporting date, the Company assesses whether financial assets carried at amortised costs are credit-impaired. Evidence that a financial asset is credit-impaired includes significant financial difficulty of the borrower or breach of contract such as default or being more than 180 days past due.

Policy applicable before 1 July 2018

In determining the recoverability of trade and other receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts noted above. Information about the Company's exposure to credit and market risks is included in note E4.

Comparative information under AASB 139

An analysis of the ageing of the trade receivables that were past due but not impairment as at 30 June 2018 is as follows:

	2018
Ageing of past due but not impaired	
31 - 60 days	167,709
60+ days	578,998
	746,707

Expected credit loss (ECLs) assessment at 1 July 2018 and 30 June 2019

The Company uses an allowance matrix to measure the ECLs of trade receivables, which comprise a large number of smaller balances. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Receivables (continued)

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows to another party.

C3 Inventories

	2019	2018
Water stock on hand		
South Riana Dam (Dial Blythe Irrigation Scheme)	25,718	35,749
Milford Dam (Lower South Esk Irrigation Scheme)	48,502	50,568
Daisy Banks Dam (South East Irrigation Scheme – Stage 2)	43,332	32,545
Rekuna Dam (South East Irrigation Scheme – Stage 3)	27,716	32,020
Dunns Creek Dam (Upper Ringarooma Irrigation Scheme)	38,481	32,210
Southernfield Dam (Southern Highlands Irrigation Scheme)	86,585	232,955
	270,334	416,047

Recognition and measurement

Inventories are measured at the lower of cost and net realisable value. The only inventory currently held by the Company is water, where the value is based on the costs of acquiring and storing water prior to distribution.

C4 Payables

	2019	2018
Trade payables	3,849,120	434,203
Accrued expenses	7,665,756	9,371,047
Interest payable	246,640	386,485
	11,761,516	10,191,735

Recognition, measurement and derecognition

The Company's financial liabilities comprises trade payables (above) and loan and borrowings (note E1). They are classified as measured at amortised cost.

Subsequent measurement is at amortised costs using the effective interest method.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

On derecognition, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

C5 Deferred revenue

(i) Deferred income

	2019	2018
Current		
Net Interest cover *	450,497	1,007,408
Asset renewal levies	383,030	143,000
Asset renewal levies – self managed	-	-
Operational grants	530,310	390,589
Project contributions – Farm Water Access Plans	264,000	169,761
	1,627,837	1,710,758
Non-Current		
Net Interest cover *	3,424,582	3,537,842
Asset renewal levies	3,643,240	3,152,053
Asset renewal levies – self managed	1,320,497	1,203,286
	8,388,319	7,893,181

**Interest cover is Government grants provided to cover the cost of funding the construction of certain schemes until all water entitlement sales have been received by the Company*

(ii) Asset renewal levies — componential breakdown

	2019	2018
Cash held - scheme accounts	5,309,302	4,384,111
Outstanding debtors	37,465	53,356
Accrued ARL income current year	-	34,106
Other	-	26,766
	5,346,767	4,498,339

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Deferred revenue (continued)

(iii) Asset renewal levies – by scheme

The asset renewal levy is an annual fee which is levied on each water entitlement holder for all of the Company's operating irrigation schemes. The single purpose of the asset renewal levy is to fund future maintenance and/or capital expenditure on the relevant scheme. Funds collected are quarantined in separate bank accounts and are expressly identified as belonging to a particular scheme. There is no allowance for cross subsidy between schemes. The Company confirms that the expenditure incurred in the current financial year as set out below were for the purposes of asset renewal.

30 June 2019

	Opening balance	Revenue	Expenditure	Movement	Closing balance
Dial Blythe Irrigation Scheme	192,458	49,471	-	49,471	241,929
Great Forester Irrigation Scheme	40,737	10,092	(940)	9,152	49,889
Kindred North Motton Irrigation Scheme	167,864	32,927	(13,178)	19,749	187,613
Lower South Esk Irrigation Scheme	181,372	40,519	(1,521)	38,998	220,370
Meander Valley Irrigation Scheme	289,997	81,027	(78,185)	2,842	292,839
Midlands Water Scheme	959,137	284,559	(111,001)	173,558	1,132,695
Sassafras Wesley Vale Irrigation Scheme	335,905	60,217	(31,540)	28,677	364,582
South East Irrigation Scheme (Stages 1-2)	185,362	50,404	-	50,404	235,766
South East Irrigation Scheme (Stage 3)	327,153	95,164	(3,469)	91,695	418,848
Southern Highlands Irrigation Scheme	141,308	146,283	-	146,283	287,591
Upper Ringarooma Irrigation Scheme	254,361	98,815	-	98,815	353,176
Whitemore Irrigation Scheme	219,399	42,983	(20,406)	22,577	241,976
Cressy Longford Irrigation Scheme	502,823	49,350	-	49,350	552,173
Winnaleah Irrigation Scheme	700,463	66,857	-	66,857	767,320
	4,498,339	1,108,668	(260,240)	848,428	5,346,767

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

C5 Deferred revenue (continued)

Asset renewal levies—by scheme (continued)

30 June 2018

	Opening balance	Revenue	Expenditure	Movement	Closing balance
Dial Blythe Irrigation Scheme	122,809	69,649	-	69,649	192,458
Great Forester Irrigation Scheme	47,076	9,875	(16,214)	(6,339)	40,737
Kindred North Motton Irrigation Scheme	180,366	30,609	(43,111)	(12,502)	167,864
Lower South Esk Irrigation Scheme	142,164	39,208	-	39,208	181,372
Meander Valley Irrigation Scheme	275,851	87,571	(73,425)	14,146	289,997
Midlands Water Scheme	494,905	520,597	(56,365)	464,232	959,137
Sassafras Wesley Vale Irrigation Scheme	286,424	58,013	(8,532)	49,481	335,905
South East Irrigation Scheme (Stages 1 - 2)	206,094	49,466	(70,198)	(20,732)	185,362
South East Irrigation Scheme (Stage 3)	216,446	110,707	-	110,707	327,153
Southern Highlands Irrigation Scheme	-	141,308	-	141,308	141,308
Upper Ringarooma Irrigation Scheme	167,679	94,682	(8,000)	86,682	254,361
Whitemore Irrigation Scheme	221,043	42,142	(43,786)	(1,644)	219,399
Cressy Longford Irrigation Scheme	481,110	21,713	-	21,713	502,823
Winnaleah Irrigation Scheme	636,397	65,259	(1,193)	64,066	700,463
	3,478,364	1,340,799	(320,824)	1,019,975	4,498,339

C6 Unearned revenue

	2019	2018
Water entitlement deposits	1,351,578	2,459,507

Recognition and measurement

Deposits received from irrigators under purchase contracts for water entitlements are held until the scheme has been commissioned. For those schemes that have not satisfied the conditions precedent in the water entitlement contracts, interest earned on the deposits is also included in the amount reported.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Section D — Employee benefits

This section provides details on employee benefits and the remuneration arrangements for key management personnel.

D1. Employee benefits

D2. Key management personnel

D1 Employee benefits

	2019	2018
Current liabilities - Employee benefits	467,827	418,597
Non-current liabilities - Employee benefits	232,295	180,888

Recognition and measurement

Annual and long service leave

The Company's net obligation in respect of annual leave and long service leave benefits are the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. For amounts eligible to be taken within 12 months, these are measured at amounts that are expected to be paid, with the remaining amounts discounted to determine their present value.

D2 Key management personnel

Key management personnel compensation

The aggregate compensation to key management personnel of the Company is set out below:

	Directors Remuneration		Executive Remuneration		Consolidated	
	2019	2018	2019	2018	2019	2018
Short-term employee	199,167	210,472	859,972	1,011,381	1,059,139	1,221,853
Post-employment benefits	19,070	19,969	80,075	93,812	99,145	113,781
Other long-term employee benefits	-	-	(64,769)	24,062	(64,769)	24,062
Termination benefits	-	-	285,229	14,697	285,229	14,697
	218,237	230,441	1,160,507	1,143,952	1,378,745	1,374,393

For Directors' remuneration, short-term employment benefits include: Director fees, committee fees and other benefits. Post-employment benefits represent superannuation contributions.

For Executive Remuneration, short-term employment benefits include: base salary, vehicles, other benefits and other non-monetary benefits. Post-employment benefits represent superannuation contributions. Other long-term employee benefits includes leave movements. Termination benefits are provided for as below.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Key management personnel (continued)

Remuneration for the Board of Directors

The following tables disclose the remuneration details for each person that acted as a Director during the current and previous financial year:

Year ended 30 June 2019 ¹	Position	Period	Director's fees	Committee fees	Superannuation ²	Other Benefits	Total
Ms Samantha Hogg Non-Executive	Chair	Full Term	75,270	-	7,151	-	82,421
Mr Michael Chilvers Non-Executive	Director	Full Term	41,299	-	3,923	-	45,222
Mr Guy Kingwill Non-Executive	Director	Full Term	41,299	-	3,923	-	45,222
Dr John Whittington Non-Executive	Director – Crown Servant ³	Full Term	-	-	-	-	-
Mr Christopher Thompson Non-Executive	Director	From: 2 July 2018	41,299	-	4,074	-	45,373
Total			199,167	-	19,070	-	218,237

Year ended 30 June 2018 ¹	Position	Period	Director's fees	Committee fees	Superannuation ²	Other Benefits	Total
Ms Samantha Hogg Non-Executive	Chair	Full Term	75,534	-	7,151	-	82,685
Mr Roger Gill Non-Executive	Deputy Chair	To: 3 May 2018	52,341	-	4,972	-	57,313
Mr Michael Chilvers Non-Executive	Director	Full Term	41,299	-	3,923	-	45,222
Mr Guy Kingwill Non-Executive	Director	Full Term	41,298	-	3,923	-	45,221
Dr John Whittington Non-Executive	Director – Crown	Full Term	-	-	-	-	-
Total			210,472	-	19,969	-	230,441

Director remuneration notes and statements:

¹ Amounts are all forms of consideration paid, payable or provided by the entity, ie. disclosure made on an accruals basis as at 30 June.

² Superannuation means the contribution to the superannuation fund of the individual.

³ As a Crown Servant, Dr J Whittington is not directly remunerated for his role on the Board.

Key management personnel (continued) Executive remuneration for year ended 30 June 2019

Name	Position	Period	Base Salary ₁	Short Term Incentive payments ₂	Superannuation ₃	Vehicles ₄	Other Monetary Benefits ₅	Other Non Monetary Benefits ₆	Total Remuneration	Termination Benefits ₆	Other Long Term Benefits ₈	Total
Mr Andrew Kneebone	Chief Executive Officer	From: 15 May 2019	29,088	-	2,197	958	-	-	32,243	-	856	33,099
Mr James Hipwood	Chief Financial Officer	From: 1 April 2019	38,577	-	3,665	-	-	-	42,242	-	3,953	46,195
Mr Paul Elery	Manager Build Projects	Full Year	183,600	-	19,286	13,967	-	-	216,853	-	(2,383)	214,470
Mr Steven Maycock	Company Secretary & General Counsel	From: 17 May 2019	18,481	-	1,756	-	-	-	20,236	-	1,833	22,069
Ms Nicola Morris	Chief Executive Officer	To: 26 November 2018	125,958	-	11,888	6,217	-	-	144,063	164,296	(12,002)	296,357
Mr Leigh Nicholas	Chief Financial Officer	To: 24 August 2018	30,000	-	2,850	-	-	-	32,850	48,551	(14,801)	66,600
Mr Graham Blackwell	(Interim) Chief Financial Officer	From: 23 August 2018 to 17 December 2018	55,962	-	6,741	-	-	-	62,703	18,865	-	81,568
Mr Andrew Kneebone	General Manager Water Delivery & In-	To: 27 November 2018	76,846	-	7,300	3,116	-	-	87,262	-	2,793	90,055
Mr Mike O'Shea	Manager Water Delivery & Energy	To: 28 September 2018	42,513	-	3,784	5,423	-	-	51,720	53,517	(53,517)	51,720
Sub-total			601,024		59,467	29,681	-	-	690,172	285,229	(73,268)	902,133

Key management personnel (continued) Executive remuneration for year ended 30 June 2019

Name	Position	Period	Base Salary ¹	Short Term Incentive payment ²	Superannuation ³	Vehicles ⁴	Other Monetary Benefits ⁵	Other Non Monetary Benefits ⁶	Total Remuneration	Termination Benefits ⁶	Other Long Term Benefits ⁶	Total
Acting arrangements												
Mr Andrew Kneebone	Acting CEO & GM Water Delivery & Infrastructure	From: 27 November 2018 to 15 May 2019	121,940	-	10,781	3,526	-	-	136,247	-	3,146	139,393
Ms Simone Reynolds	Acting Deputy CEO and Manager – Human Resources & Safety	From 27 November 2018 to 4 May 2019	67,404	-	6,371	-	-	-	73,775	-	3,934	77,709
Ms Simone Reynolds	Acting CEO and Manager – Human Resources & Safety	From 4 May 2019 to 4 June 2019	24,201	-	2,298	-	-	-	26,499	-	697	27,196
Ms Simone Reynolds	Acting Deputy CEO and Manager – Human Resources & Safety	From: 4 June 2019	12,196	-	1,158	-	-	-	13,354	-	722	14,076
Sub-total			225,741	-	20,608	3,526	-	-	249,875	-	8,500	258,375
Total			826,765	-	80,075	33,207	-	-	940,047	285,229	(64,769)	1,160,507

Key management personnel (continued) Executive remuneration for year ended 30 June 2018

Name	Position	Period	Base Salary ¹	Short Term Incentive payment ²	Superannuations ³	Vehicles ⁴	Other Monetary Benefits ⁵	Other Non-Monetary Benefits ⁶	Total Remuneration Package	Termination Benefits ⁷	Other Long Term Benefits ⁸	Total
Ms Nicola Morris	Chief Executive Officer	Full Year	308,448	-	29,160	16,495	-	-	354,103	-	(1,968)	352,135
Mr Leigh Nicholas	Chief Financial Officer	From: 7 August 2017	172,174	-	16,357	493	-	-	189,024	-	15,364	204,388
Mr Andrew Kneebone	General Manager Water Delivery & Infrastructure	From: 18 June 2018	7,115	-	676	-	-	-	7,791	-	-	7,791
Ms Sonia Green	Manager Water Delivery & Services	To: 4 June 2018	149,420	-	14,195	761	-	-	164,376	14,697	(4,446)	174,627
Mr Mike O'Shea	Manager Water Assets & Energy	Full Term	159,324	-	15,136	8,610	-	-	183,070	-	5,881	188,951
Mr Paul Ellery	Manager Build Projects	Full Term	174,169	-	18,288	14,372	-	-	206,829	-	9,231	216,060
Total			970,650	-	93,812	40,731	-	-	1,105,193	14,697	24,062	1,143,952

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Key management personnel (continued)

Executive remuneration key:

Executive Remuneration amounts are all forms of consideration paid, payable or provided by the entity.

- ¹ *Base Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.*
- ² *Short term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. Tasmanian Irrigation does not have a short term incentive scheme for any of its employees and therefore did not pay any incentives during the financial year.*
- ³ *Superannuation means the contribution to the superannuation fund of the individual.*
- ⁴ *The personal use component of the total cost of providing and maintaining a vehicle for an executive's use, including registration, insurance, fuel and other consumables, maintenance cost and parking (ie. the notional value of parking provided at premises that are owned or leased) and the reportable fringe benefits amount referable to a vehicle.*
- ⁵ *Other monetary benefits includes all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable to the Executive, either directly or indirectly.*
- ⁶ *Other non-monetary benefits include all other benefits not included in the Total Remuneration Package for the purpose of assessing compliance with the remuneration Guideline. Including medical care, housing, free or subsidised goods or services and reportable fringe benefits.*
- ⁷ *Termination benefits include all forms of benefit paid or accrued as a consequence of termination.*
- ⁸ *Other long-term benefits include annual and long service leave movement.*

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Key management personnel (continued)

Remuneration policies — Non-Executive Directors

Non-Executive directors are appointed by the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed in accordance with the relevant *Guidelines for Tasmanian Government Business – Board Appointments*. The level of fees paid to Non-Executive Directors is administered by the Department of Premier and Cabinet as is additional fees paid in respect of their work on Board committees.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation. No other leave, termination or retirement benefits are accrued or paid to Directors. Directors are entitled to reimbursement of expenses reasonably incurred while attending to Board business.

Non-Executive Directors' remuneration is reviewed periodically with increases subject to approval by the Treasurer and Portfolio Minister.

Senior executives

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines. Under these Guidelines, remuneration bands for Chief Executive Officers (CEOs) are determined by the Government Business Executive Remuneration Panel and reflect the principles outlined in the Guidelines and broadly align with State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's salary.

The CEO is appointed by the Premier and Portfolio Minister following selection and recommendation by the Board. The Board consults with the Government Business Executive Remuneration Advisory Panel when determining the CEO's remuneration package.

The employment terms and conditions of senior executives are contained in individual employment contracts, which prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions.

The performance of each senior executive, including the CEO, is reviewed annually which includes a review of the remuneration package. The terms of employment of the CEO contains a termination clause that requires the CEO to provide a minimum notice period of up to six months prior to termination of the contract. Whilst not automatic, contracts can be extended.

No key management personnel appointed during the period received a payment as part of their consideration for agreeing to hold the position.

Short term incentive payments

No fixed performance targets with short term incentive payments were set by the Board during the current year.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Key management personnel (continued)

Termination benefits

Termination payments during the current year included:

- Mr Leigh Nicolas ceased employment effective 24 August 2018 and was paid \$48,511 representing the balance of his accrued annual leave entitlements (\$14,801), plus nine weeks salary in lieu of notice (\$33,750).
- Mr Mike O'Shea ceased employment effective 28 September 2018 and was paid \$53,517 representing the balance of his accrued annual and long service leave entitlements.
- Ms Nicola Morris ceased employment effective 26 November 2018 was paid \$164,296 representing the balance of her accrued annual service leave entitlements (\$12,002), plus six months salary in lieu of notice (\$152,294).
- Mr Graham Blackwell ceased employment effective 17 December 2018 and was paid \$18,865 representing the balance of his accrued annual service leave entitlements (\$3,865), plus four weeks salary in lieu of notice (\$15,000).

Termination payments during the prior year included:

- Ms S Green - Manager Water Delivery and Services ceased employment effective 4 June 2018 and was paid \$14,697 representing an eligible termination payment of \$12,431 and the balance of her accrued annual leave (\$2,266).

Acting arrangements

When key management positions are vacant or the incumbent is unable to fulfill their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are considered members of key management personnel when acting arrangements are for more than a period of one fortnight. In the current year, the following acting arrangements occurred:

- Mr Andrew Kneebone was appointed to the above positions for the periods shown, whilst a Chief Executive Officer was recruited; and
- Ms Simone Reynolds was appointed to the above positions for the periods shown, whilst a Chief Executive Officer was recruited and Mr Andrew Kneebone was on leave.

There were no acting arrangements in the prior year.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Key management personnel (continued)

Related party transaction

For all Tasmanian Government businesses, related parties are considered to include:

- A subsidiary or joint venture;
- Key management personnel or close family members of key management personnel;
- Ministers or close family members of Ministers; and / or
- Any entities controlled or jointly controlled by Ministers or their close family members.

All related party transactions have been entered into on an arm's length basis.

During the year, Directors acquire irrigation water from the Company in the ordinary course of business. The total amount paid for irrigation water was \$38,858 (2108: \$21,826) with all of this paid during the financial year.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Section E – Capital structuring and financing

This section provides information relating the Company's capital structure and its exposure to financial risk, how they affect the Company's financial position and how the risks are managed.

- | | |
|--------------------------|---------------------------------|
| E1. Loans and borrowings | E3. Issued capital |
| E2. Finance costs | E4. Capital and risk management |

E1 Loans and borrowings

	2019	2018
Current liabilities		
Secured loans – Tascorp	24,921,891	24,907,501
	24,921,891	24,907,501
Non-current liabilities		
Secured loans – Tascorp	1,969,670	2,261,561
	1,969,670	2,261,561

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Year of maturity	30 June 2019		30 June 2018	
			Fair value	Carrying amount	Fair value	Carrying amount
Secured loans – Tascorp	2.15% - 6.21%	2020-2023	27,165,376	26,891,561	27,376,244	27,169,062
Total interest-bearing liabilities			27,165,376	26,891,561	27,376,244	27,169,062

The Tascorp borrowings are secured by a Letter of Comfort from the Treasurer issued on 16 February 2015, with an additional Letter of Comfort provided from the Treasurer on the 2 April 2019.

Information about the Company's exposure to interest rate and liquidity risk is included in note E4.

E2 Finance costs

	2019	2018
Finance costs		
Interest on financial liabilities measured at amortised cost	561,204	1,060,689
Guarantee fee	498,852	727,454
Collection costs	14,075	10,388
	1,074,131	1,798,531

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

E2 Finance costs (continued)

Recognition and measurement

Finance costs include interest expense and fees on borrowings and debtor collection fees. Interest expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

E3 Issued capital

	Ordinary shares	
	2019	2018
On issue at 1 July	234,881,819	189,390,142
Re-classification Government contribution	-	2,410,000
Government contributions	48,177,974	43,081,677
On issue at 30 June	283,059,793	234,881,819

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets.

E4 Capital and risk management

Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, as they relate to financial instruments.

Credit risk — Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other financial assets.

Exposure to credit risk — The carrying amount of financial assets represents the maximum credit exposure. The Company does not hold any collateral or other security. The maximum exposure to credit risk at the reporting date was as follows:

	Note	Carrying amount	
		2019	2018
Trade receivables	C2	12,501,409	2,215,157
Other financial assets	F2	268,412	602,252
		12,769,821	2,817,409

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

E4 Capital and risk management (continued)

Credit risk (continued)

Trade receivables

The Company's exposure to credit risks is influenced by the individual characteristics of each customer. The Company limits its exposure to credit risk for trade receivables by establishing payment terms of 30 days. Thereafter a surcharge may be applied to the outstanding balance, water supply may be suspended and the matter referred to a collections agency. Impairment losses on financial assets recognised in profit or loss during the period, and the basis of the expected credit loss assessment are detailed in note C2.

Other financial assets

Other financial assets are fixed repayment plans relating to the Greater Meander Irrigation Scheme (refer note F2). Interest is charged on these long term financial assets and the Company ensures repayments are in accordance with the agreed plans.

The allowance for impairment (refer note F2) represents the expected credit losses in respect of these other financial assets.

Cash and cash equivalents

The Company held cash and cash equivalents of \$22,023,292 at 30 June 2019 (2018: \$11,221,829), which are held with an Australian-owned bank which is regulated by the Australian Prudential Regulatory Authority in accordance with the *Banking Act 1959*.

No impairment allowance exists in relation to these assets.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables for the first 30 days from the date of the invoice.

Thereafter, interest may be charged on the outstanding balance.

The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

E4 Capital and risk management (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

30 June 2019

	Carrying amount	Contractual cash flows	1 mth or less	1-3 mths	3 mths - 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Secured loans -	26,891,561	26,891,561	24,630,000	-	291,891	1,969,670	-
Trade and other	11,761,516	11,761,516	11,761,516	-	-	-	-
	38,653,077	38,653,077	36,391,516	-	291,891	1,969,670	-

30 June 2018

	Carrying amount	Contractual cash flows	1 mth or less	1-3 mths	3 mths - 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Secured loans -	27,169,062	27,169,062	24,630,000	-	277,501	2,261,561	-
Trade and other	10,191,735	10,191,735	10,191,735	-	-	-	-
	37,360,797	37,360,797	34,821,735	-	277,501	2,261,561	-

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Capital and risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The primary market risks that the Company is exposed to are the sale of water rights and interest rate risk.

Interest rate risk

The Company manages its interest rate risk exposure by borrowing at a fixed rate. Repayment plans for the acquisition of water entitlements are fixed rate instruments.

The Company does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The cash and cash equivalents are held in bank accounts bearing variable interest rates. A reasonably possible change of 25 basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by \$55,058 (2018: \$28,055).

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern.

The Company is reliant on Government funds and debt funding to cover construction funding shortfalls that occur due to the timing of the receipt of water entitlement funds, specifically, and the timing of construction expenditure generally.

There were no changes in the Company's approach to capital management during the year.

Accounting classifications and fair values

The Company has no financial assets or financial liabilities that are accounted for and measured at fair value.

The carrying amounts of trade and other receivables, cash and cash equivalents and trade payables approximate fair value because of the short maturity of these instruments.

Fair value of loans and borrowings carried, which are carried at amortised cost is \$27,165,376 (2018: \$27,376,244).

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

Section F – Other

This section provides details on other required disclosures relating to the Company to comply with the accounting standards and other pronouncements:

- | | |
|------------------------------|----------------------------|
| F1. New accounting standards | F4. Contingencies |
| F2. Other financial assets | F5. Subsequent events |
| F3. Other assets | F6. Auditor's remuneration |

F1 Pending accounting standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these financial statements. The one which is relevant to the Company is set out below. The Company does not plan to adopt this Standard early.

- AASB 16 'Leases' – The Standard removes the lease classification for lessees and requires all leases to be brought onto the statement of financial position. The effective date for mandatory adoption of the standard by the Company is in the year ending 30 June 2020. The Company is proposing to adopt the modified retrospective approach to adjust the opening retained earnings at the date of application 1 July 2019. Under this option, the increase in the Right of Use (ROU) asset will be equal to the increase in the lease liability. The current estimated impact to assets and liabilities at the date of application is \$723,205. An estimated additional expense of \$7,736 will arise in profit or loss in the year ending 30 June 2020.

F2 Other financial assets

	2019	2018
Current assets		
Greater Meander Irrigation Scheme fixed repayment plans -	21,730	295,878
Non-current assets		
Greater Meander Irrigation Scheme fixed repayment plans -	246,682	306,374
Total other financial assets	268,412	602,252

F3 Other assets

	2019	2018
Cressy Longford Irrigation Scheme Limited	193,556	193,556
Winnaleah Irrigation Scheme Limited	232,792	232,792
	426,348	426,348

Tasmanian Irrigation Pty Ltd

Notes to the financial statements

F4 Commitments

The Company has entered into contracts with third parties which will result in capital expenditure related to the construction of irrigation schemes as follows:

As at 30 June 2019	Within 1 year	Between 1 and 5 years	Total
Scottsdale Irrigation Scheme	28,721,649	-	28,721,649
	28,721,649	-	28,721,649
As at 30 June 2018	Within 1 year	Between 1 and 5 years	Total
Duck Irrigation Scheme	2,115,766	-	2,115,766
North Esk Irrigation Scheme	11,941,150	-	11,941,150
Scottsdale Irrigation Scheme	38,429,889	4,827,698	43,257,587
	52,486,805	4,827,698	57,315,503

The Company has entered into contracts with third parties which will result in expenditure related to rental contracts as follows:

As at 30 June 2019	Within 1 year	Between 1	Total
Lease (Rental Contracts)	118,853	416,360	535,213

As at 30 June 2018	Within 1 year	Between 1	Total
Lease (Rental Contracts)	133,033	421,999	555,032

F5 Auditors remuneration

	2019	2018
Audit and review services		
Auditors of the Company		
Auditor-General		
Audit and review of financial statements	39,630	38,850

The auditor of Tasmanian Irrigation Pty Ltd is the Auditor-General of Tasmania.



Tasmanian Irrigation

