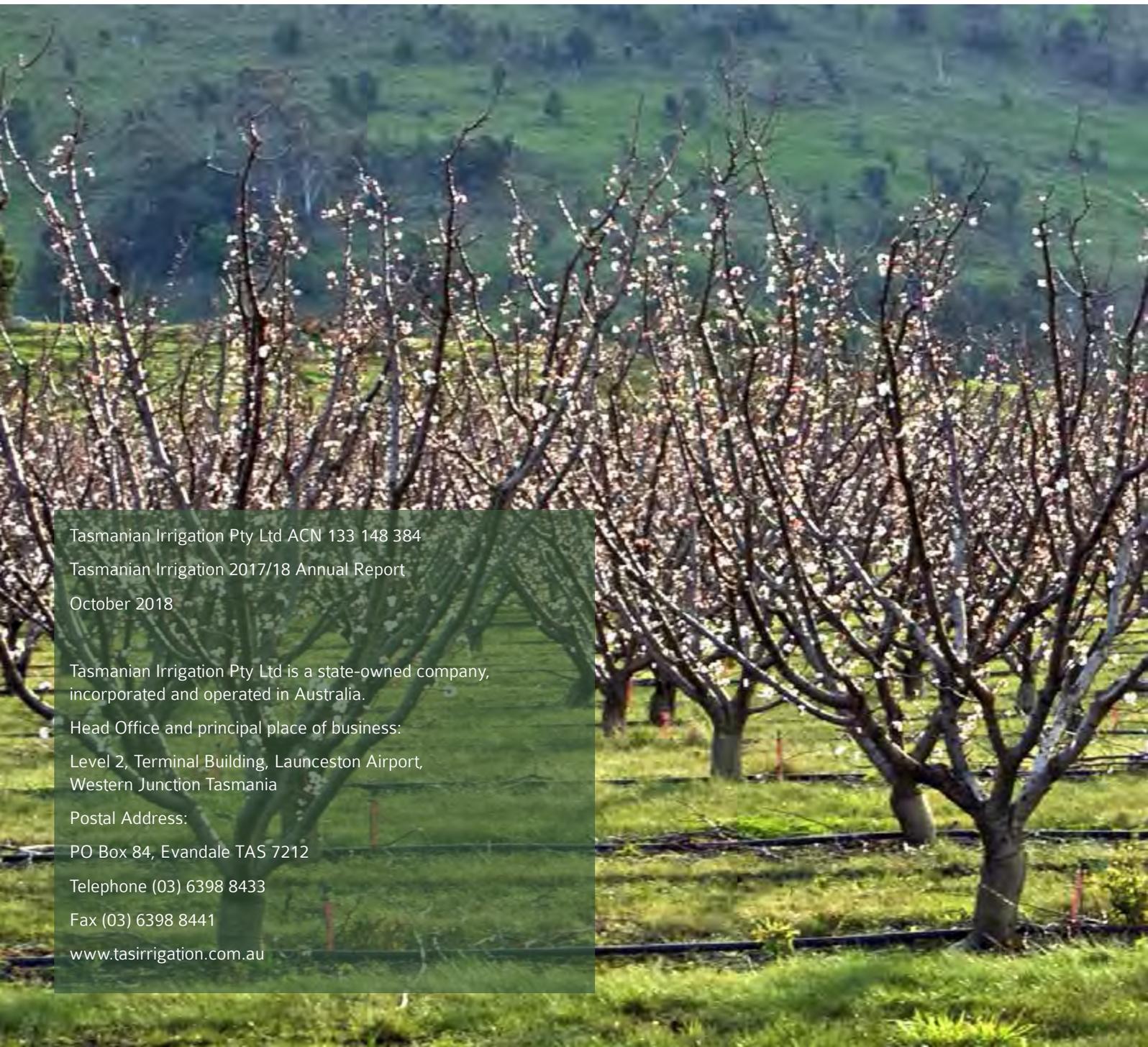




2017/18

ANNUAL REPORT



Tasmanian Irrigation Pty Ltd ACN 133 148 384
Tasmanian Irrigation 2017/18 Annual Report
October 2018

Tasmanian Irrigation Pty Ltd is a state-owned company,
incorporated and operated in Australia.

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COMPANY OVERVIEW



The principal purpose of Tasmanian Irrigation is to develop, own and operate irrigation schemes in Tasmania, in accordance with sound commercial practice, for facilitating the expansion of agricultural production in the State and where feasible and appropriate, enable local community management of these schemes.

With an increased level of operational responsibility, Tasmanian Irrigation continues to transition the focus of the organisation from developing and building irrigation schemes to managing operational water delivery schemes.

The availability of additional irrigation water through the development and operation of irrigation schemes will support Tasmanian farmers to move into higher value production. It will also drive growth and investment in Tasmania's food and agricultural sectors and rural and regional communities.



HIGHLIGHTS OF 2017/18

- **MADE AVAILABLE** 111,438 ML for irrigators across 13 schemes
- **DELIVERED** 58,924 ML of water entitlements to 473 irrigators
- **FIRST SEASON FOR** Southern Highlands Scheme with 4,400 ML delivered
- **FLEXIBLE WATER DELIVERY** with seven schemes having seasons extended beyond normal operational parameters
- **NEW TASMANIAN IRRIGATION WEBSITE** to make information far easier to find
- **NEW TECHNOLOGY** for improved field-based data capture to improve accuracy of usage and asset data
- **RECEIVED FUNDING APPROVAL** for two new schemes to be built – North Esk and Scottsdale
- **PIPELINE TO PROSPERITY (Tranche three)**
 - receiving significant irrigator support identifying potential irrigation schemes
- **STATE SUPPORT** with commitment of \$70M towards the construction of Tranche three
- **SHAREHOLDING MINISTERS**, signed off on shareholders expectations
- **TEAMWORK** saw five staff workshops develop a refreshed Tasmanian Irrigation mission, objectives and values
- **COSTS ARE DOWN**, water delivery overheads expressed in \$ per ML reduced by 12.5 per cent from 2016/17 and corporate overheads by 11.85 per cent with further budgeted decreases in 2018/19
- **NO NEGATIVE IMPACT** on water quality or aquatic health attributed to the operation of Tasmanian Irrigation's schemes during 2017/18
- **PARTICIPATION BY STAFF** in over 500 hours of safety and compliance training, including sessions covering driver awareness, working at heights and working in confined spaces
- **AUDITED AND RECOMMENDED** for continued certification to AS4801 standard by SAI Global.



FROM THE CHAIRMAN

It has been a full on year for all Tasmanian Irrigation staff with many achievements; our second highest total volume of water delivery during this past year, the Southern Highlands Irrigation Scheme finishing construction and going into operation and both the North Esk and the Duck Irrigation Schemes being in full construction for delivery later in the 2018/19 irrigation season and then the funding confirmation from the Commonwealth government to support Scottsdale Irrigation Scheme allowed Tasmanian Irrigation to proceed to construction on this the fifth and final Tranche Two scheme.

The funding which we received to investigate further water developments via the future irrigation project has been immensely valuable. The level of support from the agricultural community exceeding all expectations for initial indications of demand and the confirmation from the state government of \$70 million towards future projects highlights the support and the belief in irrigation and its impact on the Tasmanian economy.

This has been a strong year for Tasmanian Irrigation and I wish to thank my fellow Directors, the leadership team of Tasmanian Irrigation and the front line and support staff for their professional approach and dedication.

The mantra of 'we deliver water' remains at the forefront of everything we do.

Samantha Hogg
Chairman



FROM THE CHIEF EXECUTIVE OFFICER

In November and December 2017 a series of workshops were held for all Tasmanian Irrigation (TI) staff, working around the scheduling and commitments of a busy irrigation season and deadlines for schemes under construction.

From these workshops the staff provided the leadership team of Tasmanian Irrigation and then the Directors valuable input into what drives Tasmanian Irrigation; this was captured as: a vision; a series of objectives; and as our values. In arriving at these we were guided not only by the Members Statement of Expectations which was finalised in late 2017 but also through the learnings taken from stakeholder feedback around Tasmanian Irrigation and the way we did business.

OUR PURPOSE:

The principal purpose of Tasmanian Irrigation is to develop, own and operate irrigation schemes in Tasmania, in accordance with sound commercial practice, for facilitating the expansion of agricultural production in the state and where feasible and appropriate, enable local community management of these schemes.

OUR VALUES:

- People are our most important asset. We are committed to zero harm and to the wellbeing of our people.

- Working with our irrigator community to understand and meet their needs in line with water development and delivery obligations.
- Working together as one team by creating a culture of collaboration, integrity and respect.
- Provide timely, accurate and honest information to all those involved with our business.
- Act with humility and responsibly in our local economy and environment.

The decision to irrigate a property, for whatever its agricultural purpose, is not a decision that is made lightly. The on farm costs can be significant including infrastructure for water application, storage if appropriate and water delivery charges which are both fixed and variable. This is in addition to the initial investment, purchasing a water entitlement giving the owner access to both a volume of water and a zone flow of water.

Tasmanian Irrigation is continuing its focus on controlling water delivery costs at both a scheme and a corporate level. Performance indicators for the business, which will be reported in future annual reports and more widely, include a measure of corporate expenses and a measure of fixed water delivery costs both expressed as \$ / ML with aggressive reductions in both targeted. In this year



just gone we have seen reduction in both costs of more than 11 per cent. Like most businesses, one of Tasmanian Irrigation's main expenses is employment and over this last year we have worked to remove layers from the business, encouraging a far flatter structure which in turn empowers the water delivery staff on the ground to make decisions and take actions ensuring our irrigators get accurate and timely actions.

Like many businesses in Tasmania, Tasmanian Irrigation is competing for what is a finite pool of contracting resources and this puts pressure on both pricing and timelines. Tasmanian Irrigation continues to support Tasmanian businesses, recognising the significant economic benefit this brings at a regional and state level.

The funding of the Future Irrigation Project and its recognition by the State Government has provided the agricultural community with renewed confidence in irrigation, with significant early expressions of interest in water from proposed new schemes. During the latter stages of 2018 Tasmanian Irrigation will continue working collaboratively with Hydro Tasmania, TasNetworks, TasWater, the Department of Primary Industries, Parks, Water and Environment and Infrastructure Tasmania to understand how collectively we can

develop the 'Pipeline to Prosperity' to continue to grow Tasmania's economy. A key part of this collaboration will be to achieve recognition from Infrastructure Australia as being a project of national significance.

Tasmanian Irrigation is barely ten years old, it has less than 50 staff and it is providing significant economic benefit to the Tasmanian economy.

The Tasmanian Irrigation staff are highly skilled, absolutely dedicated and immensely proud of what they are contributing individually and collectively.

As Chief Executive I in turn am immensely proud of the dedication the staff bring to their role, whatever role they fill. I wish to acknowledge their dedication and efforts and also to acknowledge the angst that some events over this last year have caused.

In early 2018 we farewelled our longest serving Director, Roger Gill and welcomed Chris Thompson as his replacement. The Tasmanian Irrigation Board is small in number but dedicated to driving Tasmanian Irrigation forward.

Nicola Morris

Chief Executive Officer



PERFORMANCE TARGETS 2017/18

Business Area	Financial Key Performance Indicator	Actual 2017/18	Key Performance Targets 2017/2018	Comments (if required)
Build (Development)	Budget Delivery – Schemes Developed Within Budget	100% (2 out of 2)	100% (2 out of 2)	
	Project Prefeasibility Overheads & Admin. Costs	\$6.05m	\$6.08m	
	Post-Construction Water Sales	\$0.75m (625 ML)	- -	
Water Delivery (Operations)	Overheads per Water Entitlement Issued	\$18.80	\$18.80	In some schemes water was provided out of season and income is shown as variable income)
	Fixed Revenue (exc. Asset Main)/Fixed Expense	104%	100%	
	Variable Revenue/Variable Expenses	115%	100%	The increase in revenue reflects the collection of out of season water which attracts a small premium over variable pricing to offset fixed costs
	Average Debtors Days	45 Days	45 Days	



TASMANIAN IRRIGATION SCHEMES

EXISTING WATER DELIVERY SCHEMES AND THOSE UNDER CONSTRUCTION





WATER DELIVERY ANNUAL REPORT 2017/18

2017/18 SEASON OVERVIEW

The 2017/18 irrigation season was a season of contrasts. Early indications were for a dry summer, but most areas received some good summer rains in December. By the end of February it had returned to being very dry, which led to the extension of most irrigation seasons well into late April.

Tasmanian Irrigation delivered 58,924 ML of water, which was 62% of the entitlements on issue. This was a 77% increase from 2016/17 but still below record delivery from the very dry 2015/16 season. There were 473 irrigators accessing water during 2017/18 out of a total of 791 entitlement holders, which represents 60 per cent of usage.

This year saw the Southern Highlands Irrigation Scheme become operational, adding a further 7,215 ML to total deliverable volume. Construction has been completed on the Swan Valley Irrigation Scheme. However until such time as there is a significant rain event impacting on the Swan River the dam remains only partially full and the scheme cannot commence its first full water delivery season.

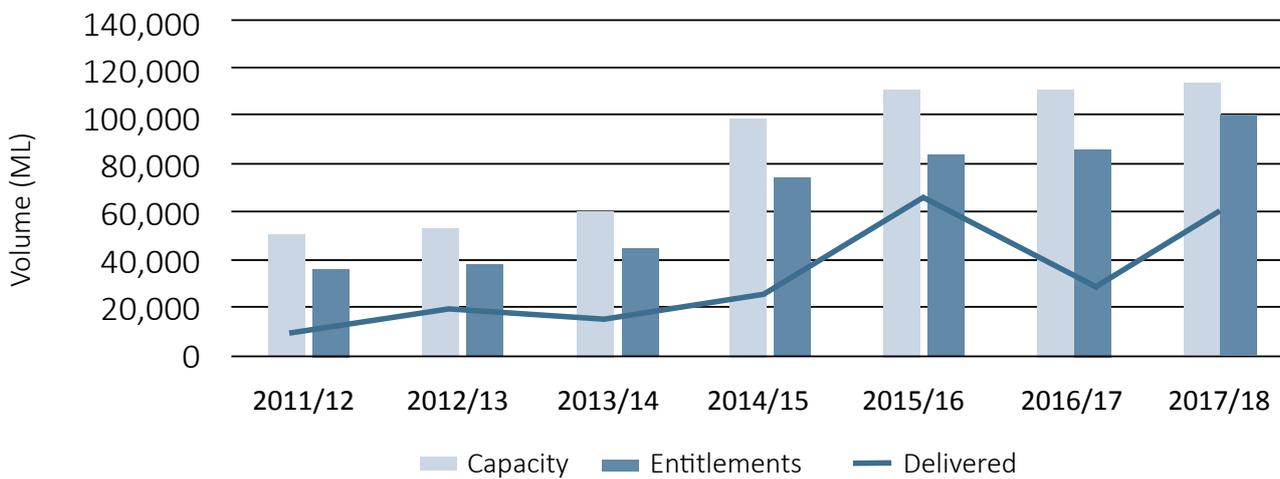
The continued diversification of land use across the Tasmanian Irrigation scheme portfolio combined with ongoing investment of on farm irrigation infrastructure is seeing the trends identified last year for differing and extended demand periods. Providing and creating flexibility of delivery is proving to be one of the key elements our customers are demanding, which is sometimes challenging the original design and scheme capacities.

There are several scheme enhancement projects now being considered across all Tasmanian Irrigation schemes. These enhancements range from improved pumping efficiency and capacity to engineering solutions to resolve issues with intakes and flow constraints.

The following chart outlines the cumulative scheme capacities, entitlements on issue and volumes delivered for schemes which are operated by Tasmanian Irrigation.



WATER DELIVERED OPERATIONAL SCHEMES



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

Note: The addition of SHIS in 2016/17 was offset by the decrease in volume attributed to the Meander scheme; The SWAN scheme capacity will be added once the scheme has its first season.



ASSET MANAGEMENT AND PLANNING

Tasmanian Irrigation has a portfolio of assets with ages ranging from less than one year to well over thirty years.

The need for a robust asset management process is crucial to ensure that Tasmanian Irrigation can meet both its delivery and infrastructure operation commitments.

In the 2017/18 year there were five unplanned outages, none impacted on deliveries to irrigators for more than a 24-hour period. Ongoing routine and preventative maintenance activities along with condition monitoring of the infrastructure has ensured this high level of operability. The portfolio of dams owned and managed under ANCOLD guidelines by Tasmanian Irrigation have all performed within design parameters. A program of works on these dams has continued throughout the year. Of note is that during the year Tasmanian Irrigation was transferred ownership of Lake Leake from the State Government, which has added to the portfolio and brought with it increased responsibilities. Similarly, Tooms Lake is to be transferred to Tasmanian Irrigation in 2018/19.

A draft Strategic Asset Management plan has been developed throughout the year to provide a framework for the development of scheme specific asset management and maintenance plans in 2018/19.

INFORMATION SYSTEMS & COMMUNICATIONS (WATER DELIVERY)

As Tasmanian Irrigation continues to gain experience in both the construction and operation of water delivery schemes the decision has been made to adopt 'Clear SCADA' as the system for remote control and data capture to standardise on one system. Schemes built in the first stages of Tranche One will be gradually upgraded and integrated into Clear SCADA. This program will span the next two years and once completed will allow for a common platform across all schemes. The operational benefits of this initiative will be a reduction in onsite interventions, plus better monitoring of infrastructure performance. For irrigators this will mean higher reliability and reduced costs from reactive maintenance.

Development of field-based data applications allowing for seamless and direct capture from field to system had been implemented in the Water Delivery business. A water meter reading application has been used for the first time in the 2017/18 seasons to directly read meters and upload straight into the GIS and billing system, reducing time and duplication of processes. Further applications are being developed that will be used for dam and asset inspections with the data from the field being available in real time for analysis and reporting.



THE WATER DELIVERY TEAM

The Water Delivery team has been progressively restructured throughout 2017/18 to achieve greater efficiency, increased accountability and transparency, overhead cost reduction and a substantially flatter operational structure.

The purpose of the restructure was to reduce the direct and indirect operating costs of the business, whilst increasing efficiency, all of which ultimately translates to cost per ML of water for irrigators.

The restructure culminated in the removal of a layer of management and the appointment of a new General Manager Water Delivery and Infrastructure in June 2018.

The prime purpose of the team is to 'deliver water' by ensuring the assets are maintained to meet the design and reliability parameters, environmental compliance obligations are achieved, and costs are controlled through prudent commercial management.

The Water Delivery structure has a team consisting of:

- Scheme operators, who are responsible for the delivery of water to landholders, water orders, control and monitoring of the delivery of water. They are also responsible for field base water quality assessments, repairs and maintenance of infrastructure.
- Commercial operations, responsible for pricing, invoicing and water trading and sales, energy and water purchasing.
- Environmental services are responsible for environmental monitoring and compliance, with hydrological monitoring, ecological testing, and environmental auditing.
- Asset and infrastructure maintenance engineering support and planning who are responsible for supporting scheme operators with engineering maintenance and condition assessment support and ongoing asset management planning.
- Electrical and control systems support, responsible for the operation and maintenance of two mini hydro power stations, associated high voltage assets and the repair, maintenance and ongoing improvement of automated control systems.





ENVIRONMENT

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

A total of 109 surface water quality monitoring sites were sampled monthly in 64 scheme waterways, 13 groundwater bores were monitored monthly in three groundwater areas and water quality sampling was undertaken in 14 storages monthly. AusRivas sampling occurred during spring and autumn to monitor impacts on aquatic health at a total of 16 sites in six irrigation districts. No blue green algae outbreaks nor any listed aquatic weeds were detected in Tasmanian Irrigation storages. 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 2017/18.

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. Three positive Federal Government *Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)* responses to applications to cease environmental monitoring were obtained.

Based on Tasmanian Irrigation's monitoring and compliance, Tasmanian Irrigation applied successfully to the Federal Government for monitoring to be relaxed on some conditions.

Staff from the Environmental Audit Section of the Federal Department of Environment conducted a site inspection of the Midlands Irrigation Scheme to discuss complex compliance requirements. Similar to last year's visit, their feedback regarding Tasmanian Irrigation's ongoing environmental commitment was positive. In conjunction with DPIPW the first report was prepared for the Commonwealth for the Midlands Strategic Assessment, detailing monitoring impacts on Matters of National Environmental Significance and the five-yearly independent audit was conducted for the Meander Dam *EPBC Act* conditions of approval. Environmental assessments and associated state approvals were obtained for one Riverworks District administered by Tasmanian Irrigation.

Rating curves for Tasmanian Irrigation's 19 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 commenced being undertaken externally, and all sites and infrastructure are being maintained to the required standards. Operations were undertaken in compliance with conditions on Tasmanian Irrigation's 18 water licences and nine watercourse authorities. Continuing upgrades are being made to



incorporate environmental requirements into storage and streamflow operating systems, providing for automated compliance opportunities and cost efficiencies in the recording and reporting of environmental compliance data. This includes streamflow data from 15 of the 19 sites being made available in real time on DPIPW's publicly available Web Portal.

A total of 510 Farm Water Access Plans are in place for 12 operational schemes. All irrigators applying Tasmanian Irrigation water in applicable schemes have a current farm Water Access Plan in place that provides for the sustainable use of water on their farm. Minor breaches were identified on two audits of Farm Water Access Plans of the 41 conducted during the annual compliance audit process. These will be reaudited to ensure rectification in 2019. A further 80 Farm Water Access Plans are currently being finalised for the two new schemes coming online for the 2018/19 season. A new cost-effective automated process has been developed to assist with auditing, which is providing enhanced compliance opportunities.

Seven second party environmental audits and inspections were conducted on contractors undertaking major construction works. All contractors were found to be compliant with environmental regulatory requirements.





BUILD

1. REVIEW OF CONSTRUCTION

Handed to Water Delivery

Irrigation Scheme	Water Entitlements (ML)
Southern Highlands	7,215
Swan Valley	2,000

Under Construction

Irrigation Scheme	Water Entitlements (ML)
Duck	5,200
North Esk	2,850
Scottsdale	8,600

2. HANDED TO WATER DELIVERY

SOUTHERN HIGHLANDS IRRIGATION SCHEME

In October 2015 government funding was approved for construction of the Southern Highlands Irrigation Scheme (SHIS). The SHIS was the first of Tasmanian Irrigation's Tranche Two schemes to progress into operation and commenced water delivery in the 2017/18 irrigation season.

Originally planned to provide 6,500 ML of high reliability irrigation water to the Bothwell region the SHIS was increased to a 7,215 ML scheme after an extremely successful water sales program. Demand for water entitlements was so strong that an increase in scheme size was warranted and Tasmanian Irrigation completed a redesign of the scheme to meet this increase in demand.

Scheme infrastructure includes a 7,600 ML storage dam located at Southernfield, a 1 Megawatt pump station situated on the Shannon River, 58 kilometres of distribution pipeline and two booster pump stations. The scheme delivers water over a 150-day irrigation season.

In July 2017, the scheme was successfully commissioned and commenced dam fill for the first season. In its first year the scheme delivered 4,400 ML to irrigators in the Bothwell region. The dam has refilled in the 2018 winter, ready for the second year of supply.



SWAN VALLEY IRRIGATION SCHEME

The 2,000 ML scheme will service the region north of Swansea on the east coast of Tasmania, predominantly supplying existing and new horticultural ventures. In particular, the water will enable the continued expansion of the wine industry in this region.

Scheme infrastructure includes a 3,400 ML storage dam located on the Melrose property at Cranbrook, 38 kilometres of distribution pipeline and one pump station on the Swan River, which will be used to harvest water during high flow events, to then be stored in the Melrose Dam.

Water sales for the scheme took place in March 2015, with 100% of the scheme's capacity being sold.

In June 2016 government funding was announced for construction of the Swan Valley Irrigation Scheme (SWAN). The SWAN is the second of Tasmanian Irrigation's Tranche Two schemes to complete construction in August 2017.

Construction has been completed on the Swan Valley Irrigation Scheme however until such time as there is a significant rain event impacting on the Swan River the dam remains only partially full and the scheme cannot commence its first water delivery season. The irrigation rights for this scheme will not be issued until enough water is available for a season to be declared.





3. UNDER CONSTRUCTION

DUCK IRRIGATION SCHEME

Following water sales of 5,170 ML in July 2015 the proposed Duck Irrigation Scheme (DUCK) was redesigned to deliver 5,200 ML over a 120-day summer irrigation season. Upon acceptance of offers to purchase water from the scheme, engineering design focused on micro-siting of the infrastructure in consultation with all landowners impacted by the development.

Construction of the scheme commenced in February 2017 under two construction contracts, one for the Mill Creek Dam and the other for the 61km of pipeline and two pump stations on the Duck River.

By August 2018 the Mill Creek Dam has commenced filling and the pumps and pipelines are in the commissioning phase. The scheme is well placed to deliver water in the 2018/19 irrigation season.

NORTH ESK IRRIGATION SCHEME

North Esk water sales were held in April 2016. Offers for 4,680 ML were received and a Business Case was prepared on that basis.

Feasibility work for the scheme included an extensive geotechnical investigation of the proposed Dalness Dam site, ecological and heritage surveys for the scheme footprint and applications for water licences, dam permits and the irrigation district.

The scheme underwent significant redesign to find an appropriate, cost-effective solution to extra demand at water sales. The redesigned scheme consists of a 5,000 ML storage, 55.8 kilometres of transfer and distribution pipeline and two

pump stations. The transfer of water from the North Esk River to Dalness Dam is via pumped infrastructure with a small boost pump on the delivery side of the dam. Construction of the scheme commenced in November 2017. By September 2018 the dam had commenced filling, the transfer line had been commissioned and work on pipelines continue, with the contract due to be completed by December 2018.

SCOTTSDALE IRRIGATION SCHEME

The Scottsdale Irrigation Scheme (SIS) achieved its water sales threshold in November 2015 with the significant support of, and investment by Dorset Council.

The outcome of water sales saw a redesign of the scheme to remove two pump stations and extend the main pipeline to the Waterhouse region; thereby providing a more cost-effective supply of water to this area.

The updated scheme design is based on a 9,300 ML dam on Camden Rivulet. Water will be distributed to 101 irrigators via an 89-kilometre distribution pipeline network, under gravity pressure, and three local waterways. The scheme incorporates a 2 Megawatt mini hydro power station, which will provide benefits to irrigators through a lower pumping charge for water supplied during the summer irrigation period, and a sharing of the gross revenue stream from the generation of energy, which will reduce annual fixed charges.

Construction was tendered in three packages, one for the Camden Dam, one for the mini hydro, pump station on the St Patricks River and associated pipelines and powerlines, and the third for the 89



kilometre distribution pipeline network. Construction commenced in June 2018 with the aim to complete construction and commissioning by September 2019 in readiness to supply the 2019/20 irrigation season.

4. TASMANIAN CONSULTING

DUTCH MILL (AUST)

The Tasmanian Government established a working group after the closure of the Murray Goulburn milk processing facility at Edith Creek in the state's far north-west to find and work with a new owner and recover some of the 200 job losses.

The successful purchaser of the factory, Dutch Mill (Aust), is proposing a significant upgrade to the plant to ensure its long-term viability. Integral to these plans is establishment of a reliable water supply to ensure that water will not be a limiting factor to expansion.

Assistance has been provided to Dutch Mill to determine the best water source, delivery options, approvals process and ultimately tendering and construction methodologies to enable the facility to be operational as soon as practicable.





5. FUTURE IRRIGATION PROJECT (TRANCHE THREE)

Irrigation is at the core of the State Government's target to grow the value of the agricultural sector in Tasmania tenfold to \$10 billion per year by 2050, backed by a long-term Agrivision 2050 Plan. As part of this commitment, the State Government allocated funds to Tasmanian Irrigation to investigate irrigation opportunities within the state.

The concepts identified were presented in detail in a report to the State Government in May 2016.

A successful funding application was made to the National Water Infrastructure Development Fund and \$1.78 million has been allocated to Tasmanian Irrigation to further investigate the concepts identified

In January 2018 Expressions of Interest (EOI) were sought across many of the concept scheme areas. After collating of EOIs and working with various landholder groups to accommodate demand for high reliability irrigation, a suite of 10 potential irrigation schemes has been identified and progressed to feasibility and further Due Diligence. Interest from landowners for new TI water has exceeded 280 EOIs demonstrating the willingness of farmers to innovate and expand their current businesses in partnership with Tasmanian Irrigation.

The State Government has already committed \$70 million towards construction of these schemes, showing again the confidence that the State Government continues to have in Tasmanian Irrigation's mandate to design, build and then deliver high reliability water. Significant Commonwealth assistance will also be required. A request for funding is in progress with a submission currently being progressed through Infrastructure Tasmania to have the suite of schemes which are collectively known as *Pipeline to Prosperity* recognised and included on Infrastructure Australia's priority funding list in 2019. A full business case to support the initial submission will be presented to both the State Government and Infrastructure Australia in late 2018. Tasmanian Irrigation is targeting construction for the first of the suite of schemes to commence in late 2019 which will require Commonwealth funding commitments in the new year.



6. BUILD TEAM

The task of designing, developing, project managing and applying for all relevant, permits, approvals and licences rests with a small team - the Tasmanian Irrigation build team. The team encompasses Project Managers and Project Engineers who encompass skills across mechanical, civil and structural engineering with a collective 120 years of construction experience in dams, pumps and pipelines. They report to the Manager of Engineering and the Manager of Build who provide oversight and ensure that learnings from early scheme constructions and operational learnings are shared. An extension to the body of knowledge within this group is the relationship each project team has with the farmer elected irrigator committee.

The consultation between the nominated Project Manager and the elected committee from concept design through to the first year of water delivery is critical to design outcomes and ultimately project success.

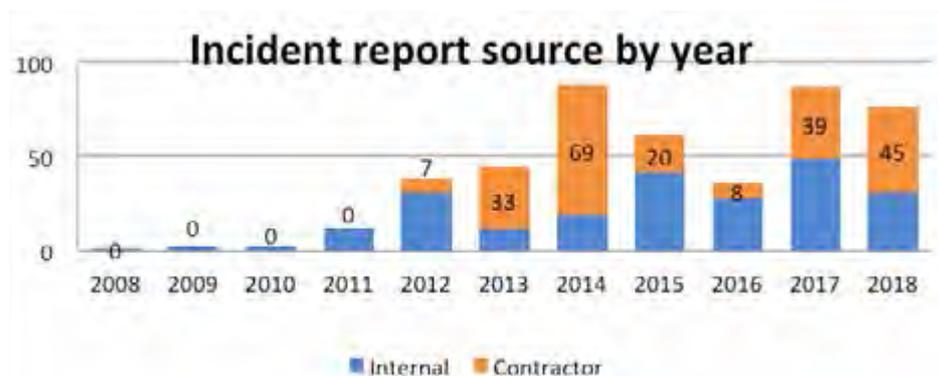
The wider business services of Tasmanian Irrigation provide support through all aspects of the planning, design and construction stages.



WORKPLACE HEALTH AND SAFETY

During 2017/18 Tasmanian Irrigation saw significant growth in the reporting culture across the entire business. Sadly, Tasmanian Irrigation did record its first lost time injury (LTI) incident in three years. While a simple low impact injury, it resulted in 10 days off work.

- In 2017/18 Tasmanian Irrigation continued to consolidate the use of the safety data management system (MyOsh), achieving solid progress in several WHS areas including increased reporting of hazards and the ability to provide real time hazard information to all employees and embedded contractors across the Tasmanian Irrigation network.
- Tasmanian Irrigation delivered a training session to all its employees on WH&S Responsibilities in the Workplace in August 2017.
- Tasmanian Irrigation developed and rolled out a confined space risk assessment to improve identification and control of confined space hazards.
- Tasmanian Irrigation employees participated in more than 500 hours of safety and compliance training, including sessions covering driver awareness, working at heights and working in confined spaces.
- The Tasmanian Irrigation safety management system was recommended for continued certification to AS4801 standard by SAI Global.
- Ongoing promotion of the Tasmanian Irrigation Employee Assistance Program took place in 2017/18.
- More than 90 per cent of Tasmanian Irrigation employees participated in an initiative to get moving. This encouraged employees to complete a daily challenge to move 10,000 steps a day, including 'walk and talk meetings' and daily walking groups.



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Totals:	1	2	2	12	38	44	88	61	36	87	76



In the 2017/18 reporting period, there were 27 incidents reported with one lost time injury, eleven that required first aid or further medical treatment and fifteen near misses. The balance of the 76 incidents were related to equipment and property damage. These safety statistics include the performance of Tasmanian Irrigation's contractors.





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 disclosures were being finalised during the reporting period. These procedures will be available on Tasmanian Irrigation's website at www.tasirrigation.com.au
- 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.

BUY LOCAL

Purchases from Tasmanian Businesses

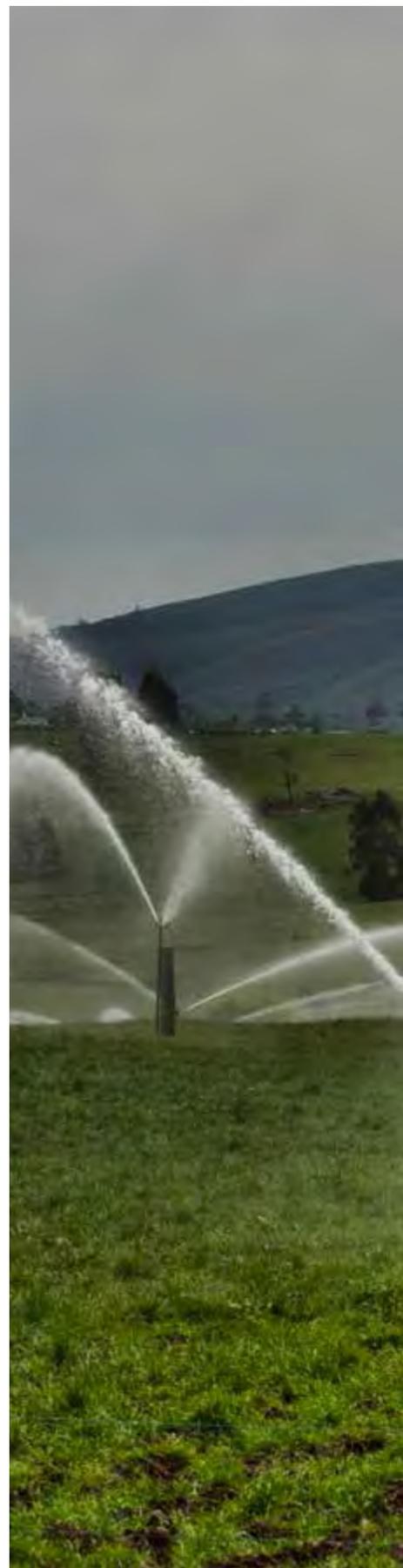
% of purchases from Tasmanian businesses	94.86%
Value of purchases from Tasmanian businesses	\$55,776,120.12

Purchases over \$50K

Name of Consultant	Location	Amount (ex GST)
Entura	Tasmania	\$154,344.30
Esk Mapping & GIS	Tasmania	\$ 146,706.12
Fulcrum Commercial Pty Ltd	Tasmania	\$301,416.13
Kent Volant & Associates Pty Ltd	Tasmania	\$183,315.00
KPMG	Tasmania	\$64,176.93
Macquarie Franklin	Tasmania	\$459,348.88
Pitt and Sherry	Tasmania	\$551,512.54
VA Cromarty & Co	Tasmania	\$102,653.09
23 consultants engaged for \$50K or less totalling	Tasmania	\$217,455.82
Grand Total		\$2,180,928.81

PAYMENT OF ACCOUNTS

Accounts due or paid within each year	Measure
Creditor days	10.91
Number of accounts due for payment	2808
Number of accounts paid on time	2742
Amount due for payment	\$58,798,912.10
Amount paid on time	\$52,517,103.77
Number of payments for interest on overdue accounts	Nil
Interest paid on overdue accounts	Nil





STATEMENT OF CORPORATE INTENT

STRATEGIC DIRECTION

Tasmanian Irrigation's Members' Statement of Expectation outlines the Shareholding Ministers' expectations as they relate to the strategic direction of the organisation.

Principal Purpose

The principal purpose of Tasmanian Irrigation is to develop, own and operate irrigation schemes in Tasmania and where feasible and appropriate, to facilitate local community management of these schemes.

- prudently and responsibly manage existing irrigation schemes, river improvement and drainage schemes on a commercial basis, including identifying appropriate long-term management structures;
- 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 production;

- ensure activities are consistent with the Government's obligations under the National Water Initiative;
- have regard to the Government's obligations under the Council of Australian Governments (COAG) agreements concerning the water industry;
- transition the business to a self-sustainable, customer focused and cost-efficient irrigation operation business. One that can operate on a stand-alone basis into the future following the completion of all irrigation developments;
- ensure that relevant processes and practices are in place to facilitate the establishment of a market for trading water rights; and
- manage financial performance and business risk;

The strategies of Tasmanian Irrigation are concentrated on outlining the methods to meet the objectives of the organisation.

PART 2 – PERFORMANCE AGREEMENT

To assess organisational performance against the above strategic direction, Tasmanian Irrigation has selected a series of key performance indicators. The financial indicators are based on detailed four-year financial forecasts and are supported by non-financial indicators. Tasmanian Irrigation's key performance indicators are displayed in Table 1.

Tasmanian Irrigation does not expect to be able to return a dividend in the short term 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.



The key performance indicators shown below in Table 1 were taken from the 2016/17 statement of corporate intent produced in 2016. As part of Tasmanian Irrigation's increasing focus on efficiency, accountability and transparency key performance indicators for 2017/18 and beyond have been recast to ensure the business is focusing on key areas. Table 2 shows the 2017/18 results against these new targets against the four-year timeframe of the statement of corporate intent submitted in May 2018 which will be formally reported against from 2018/19.

Table 1: Tasmanian Irrigation Key Performance Indicators - Financial & Non-Financial

Business Area	Financial Key Performance Indicator	Actual 2017/18	Targets 2017/2018	Outcome	Comments
Build (Development)	Budget Delivery – Schemes Developed Within Budget	100% (2 out of 2)	100% (2 out of 2)	Achieved	Insufficient rainfall has meant that the SWAN irrigation scheme is not yet operational.
	Project Prefeasibility Overheads & Admin. Costs	\$6.05m	\$6.08m	Achieved	
Water Delivery (Operations)	Overheads per Water Entitlement Issued	\$18.80	\$18.80	Achieved	The increase in revenue reflects the collection of out of season water which attracts a small premium over variable pricing to offset fixed costs
	Fixed Revenue (exc. Asset Main)/ Fixed Expense	104%	100%	Achieved	
	Variable Revenue/Variable Expenses	115%	100%	Achieved	
	Average Debtors Days	45 Days	45 Days	Achieved	
Ownership	Asset Renewal Levy / Asset Renewal Annuity	100%	100%		
Business Area	Non-Financial Key Performance Indicator	Actual (Est.) 2017/18	Targets 2017/2018	Outcome	Comments
Health & Safety	Health & Safety Incidents (Lost Time & Medical Treatment)	1	Nil		
	Hours of work per Positive Performance Indicator activity ¹	40	40		
Environment & Cultural Heritage	Number of notifiable incidents	Nil	Nil	Fully Achieved	
	Compliance with environmental permits and approvals	100%	100%	Fully Achieved	
Build (Development)	Number of Approved Business Cases (Tranche Two Only)	2	2	Fully Achieved	
	Number of Schemes in Construction (Tranche Two Only)	3	3	Fully Achieved	
Water Delivery (Operations)	Delivery to Order Ratio	99.9%	95%		
	Non-Planned Outages	5	0		All were under 24 hours
	Actions Closed Out in Agreed Timeframe	100%	100%		
Ownership	Average Currency of Asset Management Plans	3 years, with none greater than 5 years	3 years, with none greater than 5 years	Fully Achieved	

¹Positive performance indicators (PPI) are measures of actions or initiatives introduced to prevent workplace and disease. PPI include safety audits, employee training, site inspections, hazard identification, safety meetings and risk assessments. A lower figure is desirable as it indicates a stronger health, safety and injury management performance as more positive performance indicators being undertaken per hours worked.



2018/19 KEY PERFORMANCE INDICATORS

Table 2: Tasmanian Irrigation Key Performance Indicators - Financial & Non-Financial for 2018/19 and beyond and actual 2017/18

Business Area	Financial Key Performance Indicator	Result 2017/18	Key Performance Targets			
			2018/2019	2019/2020	2020/2021	2021/2022
Water Delivery	Post construction water sales (water sold from unsold water after schemes is operational) – Retail water sales (5 schemes with unsold water excludes – Midlands, Meander and Whitmore)	2,955 ML	442 ML	542 ML	452 ML	452 ML
Commercial	Corporate Expenses per water Entitlement Issued – reduction	\$8.39 / ML	-29%	-3%	-2%	-2%
	Fixed Water Delivery Costs per water Entitlement Issued - reduction	\$56.40 / ML	-13%	-6%	-3%	-3%
Build	T2 schemes under construction - delivered within approved budget	2 out of 3	2 out of 2	1 out of 1	n/a	n/a

Business Area	Non-Financial Key Performance Indicator	Actual (Est.) 2017/18	Key Performance Targets			
			2018/2019	2019/2020	2020/2021	2021/2022
Health & Safety	Health & Safety Incidents (Loss Time Industry Frequency Rate (LTIFR))	Nil	Nil	Nil	Nil	Nil
	Safety Audits completed by employees per month	2 per employee				
Water Delivery	Water entitlements available for delivery at season commencement	100%	100%	100%	100%	100%
	Unplanned outages > 4 hours (measures will be applied individually at a scheme and user specific level)	5	5	4	3	
	Compliance with environmental permits and approvals					
Development	Number of Approved Business Cases (Tranche Two Only)	1	2	Nil	Nil	Nil
	Number of Schemes in Construction (Tranche Two Only)	3	3	3	2	1
Operations	Delivery to Order Ratio	99.9%	95%	95%	95%	95%
	Non-Planned Outages	0	5	5	5	5
	Actions Closed Out in Agreed Timeframe	100%	100%	100%	100%	100%
Ownership	Average Currency of Asset Management Plans	3 years, with none greater than 5 years	3 years, with none greater than 5 years	3 years, with none greater than 5 years	3 years, with none greater than 5 years	3 years, with none greater than 5 years





TASMANIAN IRRIGATION'S MAIN UNDERTAKINGS AS AT JUNE 30

Irrigation Scheme	Construction History	No. Irrigation Rights (ML)	Communities benefiting
Cressy Longford Irrigation Scheme	Owned by Tasmanian Irrigation, local Community management	8,295	Cressy, Bishopsbourne, Toiberry, Longford
Dial Blythe Irrigation Scheme	Operated and administered by Tasmanian Irrigation	2,855	Cuprona, Natone, West Pine, Sulphur Creek
Great Forester Irrigation Scheme (Headquarters Road Dam)	Operated and administered by Tasmanian Irrigation	1,980	Scottsdale, Springfield, Bridport
Greater Meander Irrigation Scheme ²	Operated and administered by Tasmanian Irrigation, formerly owned by TIS	28,800	Meander, Deloraine, Caveside, Dairy Plains, Hagley, Westbury, Quamby, Osmaston, Red Hills, Elizabeth Town
Kindred North Motton Irrigation Scheme	Operated and administered by Tasmanian Irrigation	2,500	Kindred, Sprent, Forth, Abbotsham, Gawler, North Motton
Lower South Esk Irrigation Scheme	Operated and administered by Tasmanian Irrigation	5,298	Cleveland, Epping Forest, Nile, Powranna, Evandale, Perth, Longford
Midlands Water Scheme	Operated and administered by Tasmanian Irrigation	38,550	Campbell Town, Ross, Tunbridge, Oatlands, Mt Seymour, Jericho, Kempton
Sassafras Wesley Vale Irrigation Scheme	Operated and administered by Tasmanian Irrigation	5,460	Sassafras, Wesley Vale, Moriarty, Harford, Thirlstane, Northdown
Southern Highlands Irrigation Scheme	Operated and administered by Tasmanian Irrigation	7,215	Bothwell, Hollow Tree
South East Irrigation Scheme (Stage 1 & Stage 2)	Operated and administered by Tasmanian Irrigation, formerly operated by TIS	4,636	Richmond, Campania, Cambridge, Tea Tree
South East (Stage 3)	Operated and administered by Tasmanian Irrigation	3,000	Brighton, Coal River, Sorell, Orielton, Forcett
Togari Water Supply Scheme	Operated and administered by Tasmanian Irrigation, formerly operated by TIS	n/a ¹	Togari
Upper Ringarooma Irrigation Scheme	Operated and administered by Tasmanian Irrigation	5,700	Ringarooma, Legerwood, Branxholm
Whitemore Irrigation Scheme	Operated and administered by Tasmanian Irrigation	5,500	Whitemore, Oaks, Bracknell, Liffey, Glenore
Winnaleah Irrigation Scheme including augmentation	Owned by Tasmanian Irrigation, local community management	6,954	Branxholm, Winnaleah



Irrigation Scheme	Construction History	No. Irrigation Rights (ML)	Communities benefiting
Other Water Infrastructure			
Furneaux Drainage Scheme	Operated and Administered by Tasmanian Irrigation, formerly owned by TIS	n/a ¹	Eastern side of Flinders Island
Montagu Catchment Area River Improvement Scheme	Operated and Administered by Tasmanian Irrigation, formerly owned by TIS	n/a ¹	Togari
Rileys Creek Dam	Operated and Administered by Tasmanian Irrigation, formerly owned by TIS	Water supply contract	Geeveston
Welcome River Improvement Scheme	Operated and administered by Tasmanian Irrigation, formerly operated by TIS	n/a ¹	Welcome River
Hydro and Mini- Hydro		Generation capacity	Location
Meander Mini-Hydro Station	Owned and operated by Tasmanian Irrigation, formerly owned by TIS	2MW	Greater Meander Irrigation Scheme
Midlands Hydro Station	Owned and Operated by Tasmanian Irrigation	6MW	Midlands Water Scheme- Floods Creek

¹No irrigation rights issued. Tasmanian Irrigation responsibilities relate to maintenance of specific watercourses (Montagu & Welcome River) and drains (Furneaux), and delivery of water for dairy wash-down purposes (Togari).

² The Greater Meander Irrigation Scheme is inclusive of the Caveside Dairy Plains, Hagley, Quamby, Osmaston & Rubicon pipelines. A hydrology assessment is being undertaken on the available irrigation rights in the scheme.

Irrigation schemes under construction by Tasmanian Irrigation – Tranche Two

Irrigation Scheme	No. Irrigation Rights (ML)	Communities Benefiting
Duck Irrigation Scheme	5,200	Smithton, Montagu, Stanley, Forest
North Esk Irrigation Scheme	4,680	White Hills, Evandale
Scottsdale Irrigation Scheme	8,600	Scottsdale, Springfield, Bridport
Scottsdale Mini-Hydro Station		
Swan Valley Irrigation Scheme	2,000	Cranbrook, Swansea



BOARD OF DIRECTORS



MICHAEL CHILVERS

Michael Chilvers, along with wife Fiona, runs a successful intensive mixed farming enterprise in the northern Midlands at Nile. A mix of predominantly irrigated crops such as feed grains, malt barley, and lucerne hay, processing peas, poppies and hybrid carrot seed is grown, alongside livestock enterprises including lamb finishing and dairy heifer and cow agistment.

In 2012 Michael was awarded a Nuffield Farming Scholarship and travelled widely, studying ways to systemise production on farm and models for expansion for agricultural businesses. Following the completion of the scholarship, Michael was appointed to the board of Nuffield Australia for two years. He is currently chair of TAP AgriCo: a grain and processed stock feed trading and logistics business that handles the majority of the cereal crop produced in Tasmania.

Long-term involvement with the TFGA has created extensive networks, and opportunities for a sound knowledge of issues facing producers. This knowledge has been further strengthened as a member of the GRDC High Rainfall Zone Cropping Solutions Network Committee. It identifies production challenges and prioritises research, development and extension investment relating to broad acre farming systems across southern Australia.

Michael has been a strong advocate for irrigation development and water storage within Tasmania, and in particular, the South Esk catchment. He was involved with the Lower South Esk Irrigation Scheme as a member of the Irrigators group, prior to the scheme's commencement and served for a period as Chair.



SAMANTHA HOGG CHAIR

Samantha Hogg brings 25 years of experience in executive management across the resources and infrastructure sectors and broad Australian and international experience in finance, marketing and strategic projects. Her 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 was also responsible for recapitalising the company in 2008 through the Global Financial Crisis and she successfully financed and transacted the \$7.1 billion acquisition of Queensland Motorways Limited. Samantha recently purchased a farm in northern Tasmania where she now resides.

She is a fellow of the Australian Institute of Company Directors and is a Non-Executive Director of Hydro Tasmania and MaxiTRANS.



GUY KINGWILL

Guy Kingwill is a director of Lower Murray Water Urban and Rural Water Corporation and Agriculture Capital Management Australia Pty Ltd. Previously he was the Managing Director/CEO of Tandou Ltd. He is a member of Chartered Accountants Australia and New Zealand and a Fellow of the Institute of Company Directors. Guy is Chair of the Audit Committee.



CHRIS THOMPSON

Chris Thompson was formerly managing director and director of firms Macquarie Franklin and Agricultural Resources Management and has extensive consulting experience in agribusiness developments, rural water resources management, irrigation systems and dam construction and operations.

He is well regarded in the Tasmanian farming and agricultural sectors and has held a number of chairman and director positions with irrigation Boards both on a national and international scale.

Chris's expertise will further complement the skills within the current Tasmanian Irrigation Board and will make a valuable contribution.



JOHN WHITTINGTON

John is the Secretary of the Tasmanian Department of Primary Industries, Parks, Water and Environment (DPIPWE). He has held numerous senior management positions since joining the Tasmanian State Service in 2002.

John represents the State Government on several Advisory Boards including the Institute for Marine and Antarctic Studies and the Tasmanian Institute of Agriculture, as well as Tasmanian Irrigation Pty Ltd.

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



MANAGEMENT BIOS

PAUL ELLERY MANAGER - BUILD



Completed projects include the Winnaleah Scheme Augmentation, delivering 3,750 ML. This project won the Civil Construction Federation's National 'Earth Award' for work valued between \$5 million and \$20

million in 2012 and the South East Irrigation Scheme (Stage 3) delivering 3,000 ML, which commenced operation in 2015 and won the Tasmanian 'Earth Award' for projects between \$25 million and \$75 million.

ANDREW KNEEBONE GENERAL MANAGER WATER DELIVERY AND INFRASTRUCTURE



Andrew brings a wealth of knowledge and experience, having held senior roles at Water Corporation in Western Australia and Tasmanian-based roles with Cradle Mountain

Water and Central Highlands Water. His most recent role was General Manager Commercial and Strategy with Territory Generation, based in Darwin.



NICOLA MORRIS

CHIEF EXECUTIVE OFFICER

Nicola commenced in her role on 1 March 2016, returning to Tasmania after four-and-a-half-years in Uruguay and China. Nicola is a Director of TasTafe. From December 2013 until August 2015 she was Business Head of New Zealand Farming Systems Uruguay (NZSFU) and Vice President - Dairy for Olam International. NZSFU is one of the largest global dairying operations.

From October 2011 until November 2013 Nicola was Director of Farming Operations for Fonterra, based in Beijing, China. Nicola's first experiences of Tasmania was as Chief Executive Officer of the Van Diemen's Land Company and Tasman Farms Ltd, a position which she took on in March 2008. This company was Australia's largest dairy farming business at the time. While in Tasmania, Nicola was also a Director of DairyTas and Skills Tasmania.

In New Zealand, Nicola was Chief Executive Officer of Taratahi Agricultural Training Centre (TATC) for fifteen years. TATC is a tertiary education organisation that provides education and training to the wider farming community and new entrants to the industry, using a number of commercial farming properties operated by TATC.

Prior to this, Nicola started her working career as an agribusiness banker. Nicola holds a Bachelor of Agricultural Science, majoring in Rural Valuation and Farm Management, a Postgraduate Diploma in Finance and Banking, a Masters of Business Administration, a Masters in Public Policy and is a Graduate of the Institute of Company Directors.

Nicola is a registered valuer and farm management consultant. She has a strong interest in agribusiness and in encouraging young people into agriculture.

LEIGH NICHOLAS

CFO

Resigned 21st August 2018.



MIKE O'SHEA
MANAGER WATER ASSETS & ENERGY

Mike has been with the company since 2010, overseeing the transition of all the Tranche One and Two schemes being constructed into operational water delivery schemes.

This included the integration of schemes from TIS when TI was created in 2011. Mike retires from Tasmanian Irrigation in September 2018.



SIMONE REYNOLDS
MANAGER HUMAN RESOURCES AND WORKPLACE HEALTH AND SAFETY

Simone joined the company in July 2016 as Manager Human Resources and acquired the additional role of Manager Workplace Health and Safety in June 2017.

She has 20 years of human resources experience. Simone has extensive experience working in Human Resources Generalist roles with large and small companies in a variety of industries including aviation, not-for-profit organisations and banking/finance.

Prior to joining the company, Simone worked as Human Resources Manager with Westpac in Tasmania for five years. Earlier she returned home to Tasmania after working interstate and overseas where she held senior human resources positions within the aviation and banking/finance industries.



AMANDA ZUCKER
COMPANY SECRETARY AND MANAGER LEGAL

Prior to joining the company in May 2013, Amanda was a solicitor in Sydney, working predominantly in construction law and commercial litigation.

Amanda has a Bachelor of Arts from the University of Sydney and a Juris Doctor from the University of Technology Sydney.



TASMANIAN IRRIGATION PROPRIETARY LIMITED

FINANCIALS

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Tasmanian Irrigation Proprietary Limited

Directors' report

For the year ended 30 June 2018

The directors present their report together with the financial report of Tasmanian Irrigation Proprietary Limited ("the Company") for the financial year ended 30 June 2018 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 August 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
Mr Roger Gill Deputy Chair Appointed: 9 September 2008 Term expired: 3 May 2018	Independent Non-Executive Director - Remuneration Committee Member - Audit and Compliance Member	Hydro Focus Pty Ltd Pacific Hydro Pty Ltd TasNetworks Pty Ltd
Dr John Whittington Appointed: 1 February 2015 Term to: 31 January 2020	Independent Non-Executive Director - Remuneration Committee Member	Department of Primary Industries, Parks, Water and Environment (Secretary) Director National Parks and Wildlife Services (statutory) Director General Lands (statutory) Tasmanian Institute of Agriculture Advisory Board (Chair) Institute of Marine and Antarctic Studies Board
Mr Michael Chilvers Appointed: 8 December 2015 Term to: 30 June 2019	Independent Non-Executive Director - Remuneration Committee Member - Audit and Compliance 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 Compliance 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 Legacy Packing Pty Ltd Sun Country Fresh Marketing Pty Ltd Blackwood Stateside Pty Ltd
Mr Chris Thompson Appointed: 2 July 2018 Term to: 1 July 2021	Independent Non-Executive Director	Staffco Pty Ltd

Tasmanian Irrigation Proprietary Limited

Directors' report

For the year ended 30 June 2018

1. Directors (continued)

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 2018 are:

Director	Board Meetings		Audit and Compliance Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Samantha Hogg	14	14	-	-	1	1
Roger Gill	10	13	5	5	1	1
John Whittington	14	14	-	-	1	1
Michael Chilvers	14	14	5	5	1	1
Guy Kingwill	14	14	5	5	1	1
Chris Thompson ¹	N/A	N/A	N/A	N/A	N/A	N/A

Held = Number of meetings conducted whilst the Director held office during the year

¹ Appointed 2 July 2018

2. Principal activities

The Company's principal purpose is to develop, own and operate irrigation schemes in Tasmania and 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.

3. Operating and financial review

Water delivery

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

Business strategies and prospects

The Company's primary focus is to efficiently deliver up to 95,374 ML of water to over 793 entitlement holders. The company continues to design and develop irrigation schemes. Following on from the successful development of ten schemes in Tranche One the Company is delivering a further five schemes in Tranche Two. Of the five schemes, two have now been completed whilst the remaining three are 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 towards 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 \$3,445,398 (2017: surplus of \$1,738,607). This is reconciled to the following amounts in the annual financial report:

Tasmanian Irrigation Proprietary Limited

Directors' report

For the year ended 30 June 2018

	Note	30 June 2018	30 June 2017
Total comprehensive profit (loss) for the year		(22,903,099)	(12,381,970)
Revenue from sale of water entitlements	B2	(10,747,655)	(745,250)
Impairment expense for non-current assets	B5	30,205,356	11,040,352
Impairment expense for operating grant deferred income	B2	-	3,825,475
Surplus/(deficit) excluding sale of water entitlements, impairment of non-current assets and impairment of operating grant deferred income		(3,445,398)	1,738,607

The underlying performance this year has been impacted by government contributions relating to build, being classified as equity. The impact on this year's deficit is \$2,940,000.

The Company's total comprehensive profit (loss) for the year is set out on page 8 of the financial report. The Company's net result was a loss of \$22,903,099 after impairment of non-current assets of \$30,205,356 (2017: loss of \$12,381,970 after impairment of \$11,040,352 of non-current assets and deferred income of \$3,825,475).

In accordance with the Company's accounting policies, assets are reviewed annually for impairment. As a result of this review, an impairment expense of \$30,205,356 (2017: \$11,040,352) has been recognised in the statement of profit or loss and other comprehensive income. The majority of this impairment expense (\$29,334,439) resulted from the commissioning of the Southern Highlands 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.

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.

Tasmanian Irrigation Proprietary Limited

Directors' report

For the year ended 30 June 2018

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 \$24,420 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.

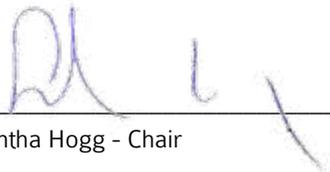
The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

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 2018.



Samantha Hogg - Chair

Dated at Western Junction this 14th day of August 2018.



Level 8, 114 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

14 August 2018

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 statements of Tasmanian Irrigation Pty Ltd for the financial year ended 30 June 2018, 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

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

Strive | Lead | Excel | To Make a Difference

Tasmanian Irrigation Proprietary Limited

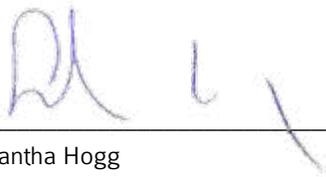
Directors' declaration

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 2018 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 2018;
- 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 14th day of August 2018.



Samantha Hogg
Chair

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 Tasmanian Irrigation Pty Ltd (the Company) which comprises the statement of financial position as at 30 June 2018, 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 2018 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.

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I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 14 August 2018 and included in the Directors' Report, would be in the same terms if provided to the directors at the time of this auditor's report.

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<p>Impairment of dams and water infrastructure assets <i>Refer to note B5</i></p>	
<p>Despite the Company being a for-profit entity, it operates on a cost-recovery basis. This generally leads to the assets being impaired, i.e. the carrying amount is reduced to the recoverable amount (unsold water rights). That reduction is an impairment loss which must be recognised immediately in profit or loss.</p> <p>The Company had dams and water infrastructure assets with aggregate carrying values of \$79.948 m at 30 June 2018.</p> <p>These assets are measured at cost and reviewed annually for impairment. An impairment expense of \$30.205m was recorded in 2017-18 to reduce the value of these assets to their estimated recoverable values as represented by the value of unsold water rights.</p> <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"> • Testing, on a sample basis, the accuracy and relevance of the input data used in management's calculations. • Reconciling input data to supporting evidence, including the water entitlements register. • Assessing the calculations for mathematical accuracy. • Challenging the reasonableness of key management assumptions based on my knowledge of the business. • Assessing the adequacy of relevant disclosures in the financial report.

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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 2018, but does not include the financial report and my auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for

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one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, 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
Delegate of the Auditor-General

Tasmanian Audit Office

17 August 2018
Hobart

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Tasmanian Irrigation Proprietary Limited

Statement of financial position

As at 30 June 2018

	Note	30 June 2018	30 June 2017
Assets			
Cash and cash equivalents	C1	11,221,829	17,800,138
Trade and other receivables	C2	5,817,013	5,435,904
Inventories	C3	416,047	255,262
Prepayments		341,332	434,289
Other financial assets	F2	295,878	266,084
Total current assets		18,092,099	24,191,677
Other financial assets	F2	306,374	833,094
Property, plant and equipment	B5	81,144,914	69,819,970
Other assets	F3	426,348	821,398
Total non-current assets		81,877,636	71,474,462
Total assets		99,969,735	95,666,139
Liabilities			
Trade and other payables	C4	10,191,735	4,650,510
Loans and borrowings	E1	24,907,501	45,408,453
Employee benefits	D1	418,597	465,204
Deferred income	C5	1,710,758	2,036,228
Unearned revenue	C6	2,459,507	2,892,512
Total current liabilities		39,688,098	55,452,907
Loans and borrowings	E1	2,261,561	2,539,062
Employee benefits	D1	180,888	203,950
Deferred income	C5	7,893,181	7,702,791
Total non-current liabilities		10,335,630	10,445,803
Total liabilities		50,023,728	65,898,710
Net assets		49,946,007	29,767,429
Equity			
Share capital	E3	234,881,819	189,390,142
Retained earnings/(accumulated losses)		(184,935,812)	(159,622,713)
Total equity		49,946,007	29,767,429

The notes on pages 53 - 84 are an integral part of these financial statements.

Tasmanian Irrigation Proprietary Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	2018	2017
Continuing operations			
Revenue	B2	23,804,103	10,148,319
Government contributions	B2	1,660,057	2,644,508
Other income	B2	1,432,634	279,103
Finance income	B2	171,064	87,125
		27,067,858	13,159,055
Depreciation and amortisation	B5	(760,034)	(848,003)
Employee benefits	B3	(5,615,932)	(4,470,041)
Impairment expense current assets		(78,367)	(84,544)
Impairment expense non-current assets	B5	(30,205,356)	(11,040,352)
Operations and maintenance expenses	B3	(9,675,226)	(6,184,095)
Administrative expenses	B3	(1,837,511)	(1,346,953)
Finance costs	E2	(1,798,531)	(1,567,037)
Loss from continuing operations		(22,903,099)	(12,381,970)
Tax (expense) benefit	B4	-	-
Profit (loss) for the year after tax before comprehensive income		(22,903,099)	(12,381,970)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive profit (loss) for the year		(22,903,099)	(12,381,970)

The notes on pages 53 - 84 are an integral part of these financial statements.

Tasmanian Irrigation Proprietary Limited

Statement of changes in equity

For the year ended 30 June 2018

	Attributable to owners of the Company			
	Note	Share capital	Retained earnings (losses)	Total equity
Balance at 1 July 2016		169,321,192	(147,240,743)	22,080,449
Total comprehensive income for the year				
Profit or loss		-	(12,381,970)	(12,381,970)
Total other comprehensive income		-	-	-
Total comprehensive income for the year		-	(12,381,970)	(12,381,970)
Transactions with owners, recorded directly in equity				
Capital contributions from Government	E3	20,068,950	-	20,068,950
Total contributions by and distributions to owners of the Company		20,068,950	-	20,068,950
Transfers between equity components				
Transfer between reserves		-	-	-
Total transfer between equity components		-	-	-
Balance at 30 June 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

The notes on pages 53 - 84 are an integral part of these financial statements.

Tasmanian Irrigation Proprietary Limited

Statement of cash flows

For the year ended 30 June 2018

	Note	2018	2017
Cash flows from operating activities			
Cash receipts from customers		19,546,016	15,577,789
Cash receipts from Government grants		524,093	3,655,385
Cash paid to suppliers and employees		(19,840,005)	(17,592,942)
Cash generated from (used in) operations		230,104	1,640,232
Interest received		171,064	87,125
Payment of interest on borrowings		(1,798,532)	(1,482,121)
Net cash from (used in) operating activities	C1	(1,397,364)	245,236
Cash flows from investing activities			
Cash receipts from water entitlements		10,811,576	2,688,092
Proceeds from sale of property, plant and equipment		-	40,455
Payments for property, plant and equipment		(38,690,795)	(39,325,626)
Proceeds from investments		395,050	99,420
Net cash used in investing activities		(27,484,169)	(36,497,659)
Cash flows from financing activities			
Capital contributions from Government		43,081,677	20,068,950
Repayment of borrowings		(20,778,453)	(1,648,186)
Proceeds from borrowings		-	24,130,000
Net cash from financing activities		22,303,224	42,550,764
Net increase/(decrease) in cash and cash equivalents		(6,578,309)	6,298,341
Cash and cash equivalents at 1 July		17,800,138	11,501,797
Cash and cash equivalents at 30 June	C1	11,221,829	17,800,138

The notes on pages 53 - 84 are an integral part of these financial statements.

Tasmanian Irrigation Proprietary Limited

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Tasmanian Irrigation Proprietary Limited

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
- A2. Basis of preparation
- A3. Government dependency
- A4. Significant accounting policies

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 3 August 2018.

(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.

(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.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

A2 Basis of preparation (continued)

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 B5 – 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 \$43,605,770 (2017: \$23,724,335) of which \$43,081,677 (2017: \$20,068,950) represented equity contributions to capital projects and \$524,093 (2017: \$3,655,385) 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 3 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. Significant valuation issues are reported to the Audit and Compliance Committee.

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).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

A4 Significant accounting policies (continued)

(i) Measurement of fair values (continued)

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.

Tasmanian Irrigation Proprietary Limited

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. Taxation |
| B2. Revenue and other income | B5. Property, plant and equipment |
| B3. Expenses | |

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 – Tasmanian Irrigation owns and manages the water delivery operations of thirteen irrigation schemes, owns the infrastructure of two locally managed irrigation schemes, as well as managing Togari water delivery scheme, two drainage and river improvement schemes 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 – Tasmanian Irrigation designs and develops irrigation schemes through a successful public private funding partnership model.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B1 Operating segments (continued)

Identification of reportable segments (continued)

Information related to each reportable segment is set out below.

Year ended 30 June 2018

	Water Delivery	Hydro Power Stations	Build	Total
External revenue	7,637,966	6,307,851	13,122,041	27,067,858
Inter-segment revenue	-	-	-	-
Segment revenue	7,637,966	6,307,851	13,122,041	27,067,858
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)

Year ended 30 June 2017

	Water Delivery	Hydro Power Stations	Build	Total
External revenue	6,561,399	4,009,542	2,588,114	13,159,055
Inter-segment revenue	-	-	-	-
Segment revenue	6,561,399	4,009,542	2,588,114	13,159,055
Segment profit/(loss) before tax	1,122,685	826,401	(14,331,056)	(12,381,970)
Interest income	-	-	194,897	194,897
Interest expense	-	(143,977)	(1,423,060)	(1,567,037)
Depreciation and amortisation	(15,943)	(72,611)	(759,449)	(848,003)
Other material non-cash items:				
- impairment of property, plant and equipment	(17,763)	-	(11,022,589)	(11,040,352)
Segment assets	10,136,296	6,047,549	79,482,294	95,666,139
Capital expenditure	-	-	(38,611,561)	(38,611,561)
Segment liabilities	(5,602,276)	(1,856,558)	(58,439,876)	(65,898,710)

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B2 Revenue and other income

	2018	2017
Revenue		
Irrigation water charges	6,761,907	5,273,027
Renewable energy generation		
Electricity generation	2,969,610	1,687,426
Renewable energy certificates	3,233,912	2,322,116
	6,203,522	4,009,542
	12,965,429	9,282,569
Water entitlement revenue		
Dial Blythe Irrigation Scheme	144,000	-
Greater Meander Irrigation Scheme	228,000	186,000
Kindred North Motton Irrigation Scheme	12,000	-
Midlands Water Scheme	1,037,735	247,250
South-East Irrigation Scheme Stage 3	189,000	216,000
Southern Highlands Irrigation Scheme	8,586,000	-
Upper Ringarooma Irrigation Scheme	228,000	48,000
Whitemore Irrigation Scheme	-	48,000
Winnaleah Irrigation Scheme	322,920	-
	10,747,655	745,250
Interest revenue from operations		
Greater Meander Irrigation Scheme 10-year fixed plans	91,019	120,500
Total revenue	23,804,103	10,148,319
Government grants		
Grants received for operational funding	1,660,057	6,469,983
Less: impairment expense for operating grant	-	(3,825,475)
	1,660,057	2,644,508
Finance income		
Interest	155,950	74,397
Late fees	15,114	12,728
	171,064	87,125
Other income		
Asset renewal levy	320,824	25,084
Gain on sale of non-current assets	23,646	-
Reimbursement of 3rd party expenditure	480,050	61,355
External services	115,917	83,950
Other	492,197	108,714
	1,432,634	279,103

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B2 Revenue and other income (continued)

Recognition and measurement

Revenues are recognised in the statement profit or loss and other comprehensive income when it is probable that the inflow or the other enhancement or saving in outflows of future economic benefits has occurred and can be reliably measured.

(i) Irrigation water charges

Amounts earned in exchange for provision of water are recognised at the point the water is delivered to the customer.

(ii) Renewable energy generation

Revenue from electricity generation is recognised in profit and loss as it is generated. Renewable Energy Certificates generated during the year were created quarterly and income accrued utilising forward contracts. The Company preference is for market price risk to be mitigated by having such forward contracts in place.

(iii) Water entitlement revenue

Water entitlement income from the sale of water entitlements is recognised when settlement of the purchase contract occurs.

(iv) Interest revenue from operations and finance income

Interest revenue from operations is income on loans provided for the acquisition of water entitlements. Finance income comprises interest income on funds invested. Both sources of interest income are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

(v) Revenues from Government

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.

(vi) 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.

(vii) 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 Proprietary Limited

Notes to the financial statements

B3 Expenses

	Note	2018	2017
Employee benefits			
Salaries and wages		4,789,965	3,946,871
Salaries and wages capitalised		(618,811)	(648,841)
Other employee entitlements		944,792	643,646
Superannuation		499,986	528,365
		5,615,932	4,470,041
Operations and maintenance expenses			
Contractors and consultants		1,164,992	1,461,670
Maintenance		673,206	450,229
Water purchases (i)		4,462,001	2,219,789
Power charges (i)		2,056,098	919,297
Rates, land tax and insurances		519,014	481,202
Other operations and maintenance expenses		799,915	651,462
Loss on sale of non-current assets		-	446
		9,675,226	6,184,095
(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.			
Administration expenses			
External Audit fees		46,434	39,850
Internal Audit fees		-	-
Advertising and promotion		33,131	47,822
Travel expenses (ii)		74,857	120,801
Information technology and communication expenses (iii)		1,169,798	643,318
Training and professional development		108,502	124,386
Rental expenses		113,451	137,672
Other administration expenses		291,338	233,104
		1,837,511	1,346,953

(ii) In 2018, there was no overseas travel incurred by the CEO during the year. In 2017, there was no overseas travel incurred by the CEO during the year.

(iii) Additional information technology expenditure has been 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 B5.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B4 Taxation

Current tax expense

	2018	2017
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	(10,315,975)	(15,601,880)
Increase (decrease) in deferred tax liability	3,446,729	11,889,678
Tax benefits not recognised	7,592,246	3,672,497
Adjustment for prior years	(723,000)	39,705
	-	-
	-	-
Total tax expense attributable to continuing operations	-	-

Numerical reconciliation between tax expense and pre-tax net profit

	2018	2017
Profit/(loss) from operations	(22,903,099)	(12,381,970)
Income tax expense calculated at 30%	(6,870,929)	(3,714,591)
Non-temporary items	1,688	2,389
Adjustment for prior years	(723,000)	39,705
Tax benefit not recognised	7,592,241	3,672,497
Income tax expense	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2018	2017
(Assessable) deductible temporary differences	(20,917,372)	(17,394,731)
Tax losses	75,586,284	64,471,397
	54,668,912	47,076,666

In addition to the above, deferred tax assets of \$14,343,090 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 Proprietary Limited

Notes to the financial statements

B4 Taxation (continued)

Movement in deferred tax balances during the year

	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 and 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

	Balance 1 July 2016	Recognised in profit or loss	Tax benefit derecognised	Balance 30 June 2017	Opening balance not recognised 1 July 2016	Current year movement not recognised	Total tax benefit derecognised at 30 June 2017
Property, plant and equipment	-	(11,868,160)	11,868,160	-	(5,700,618)	(11,868,160)	(17,568,778)
Trade and other receivables	-	(7,084)	7,084	-	37,501	(7,084)	30,417
Inventories	-	(41,648)	41,648	-	(34,931)	(41,648)	(76,579)
Provisions	-	(150,645)	150,645	-	329,144	(150,645)	178,499
Other items	-	(38,928)	38,928	-	80,638	(38,928)	41,710
Tax loss carry-forwards	-	15,811,936	(15,811,936)	-	48,659,461	15,811,936	64,471,397
	-	3,705,471	(3,705,471)	-	43,371,195	3,705,471	47,076,666

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.



Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B4 Taxation (continued)

Recognition and measurement (continued)

(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 Proprietary Limited

Notes to the financial statements

B5 Property, plant and equipment

	Note	Land and buildings	Dams	Water infrastructure	Other equipment	Total
Gross carrying amount						
Balance at 1 July 2016		135,772	59,971,936	213,580,020	1,981,560	275,669,288
Transfer between asset classes		-	-	-	-	-
Additions (i)		145,110	(130,126)	37,614,714	981,863	38,611,561
Disposals		-	-	-	(216,859)	(216,859)
Balance at 30 June 2017		280,882	59,841,810	251,194,734	2,746,564	314,063,990
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
Depreciation and impairment losses						
Balance at 1 July 2016		(110,090)	(51,501,987)	(179,856,054)	(1,063,493)	(232,531,624)
Depreciation for the year		-	(104,804)	(447,777)	(295,422)	(848,003)
Impairment loss (ii)		-	(7,244,546)	(3,795,806)	-	(11,040,352)
Disposals		-	-	-	175,959	175,959
Balance at 30 June 2017		(110,090)	(58,851,337)	(184,099,637)	(1,182,956)	(244,244,020)
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)
Carrying amounts						
at 1 July 2016		25,682	8,469,949	33,723,966	918,067	43,137,664
at 30 June 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

Recognition and measurement – property, plant and equipment

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 following:

- 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 on which they are located.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B5 Property, plant and equipment (continued)

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

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 fair value, less any subsequent accumulated impairment losses. Fair value is determined based on discounted cash flows or capitalisation of net income, as appropriate.

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 Proprietary Limited

Notes to the financial statements

B5 Property, plant and equipment (continued)

(i) Additions

The additions to property, plant and equipment relate to:

	2018	2017
Work in progress - Dial Blythe Irrigation Scheme	255	-
Work in progress - Duck Irrigation Scheme	22,448,805	4,480,217
Work in progress - Kindred North Motton	4,705	-
Work in progress - Midlands Water Scheme	37,497	(415,684)
Work in progress - North Esk Irrigation Scheme	11,731,039	549,682
Work in progress - Sassafras Irrigation Scheme	41,384	-
Work in progress - Scottsdale Irrigation Scheme	1,200,008	247,374
Work in progress - South Esk Irrigation Scheme	4,653	-
Work in progress - South East Irrigation Scheme (Stage 3)	4,780	(2,556)
Work in progress - Southern Highlands Irrigation Scheme	2,646,316	19,122,187
Work in progress - Swan Valley Irrigation Scheme	3,477,293	14,129,125
Work in progress - Upper Ringarooma Irrigation Scheme	38,592	-
Work in progress - Whitmore Irrigation Scheme	85,119	(5,250)
Other assets	589,954	506,466
	42,310,400	38,611,561

(ii) Impairment loss

Impairment expense for the year ended 30 June 2018

During the year ended 30 June 2018, an impairment expense of \$30,205,356 (2017: \$11,040,352) 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 Southern Highlands Irrigation Scheme.

In projecting the future cash inflows, the Company has regard to 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.

Based on the assessment of the recoverable amount, where the carrying amount of a scheme was determined to be higher than its recoverable amount an impairment loss was recognised.

The impairment loss is recognised as impairment expense in the statement of profit and loss and other comprehensive income.

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).

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B5 Property, plant and equipment (continued)

(ii) Impairment loss (continued)

The impairment loss for each scheme commissioned to date, allocated between Government contributions and water entitlements and other revenue, is as follows:

	30 June 2018			30 June 2017		
	Government contributions	Sale of water entitlements and other revenue	Total	Government contributions	Sale of water entitlements and other revenue	Total
Dial Blythe Irrigation Scheme	11,061,295	2,456,466	13,517,761	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	4,276,765	6,400,765
Kindred North Motton Irrigation Scheme	7,606,673	2,693,582	10,300,255	7,606,673	2,621,699	10,228,372
Lower South Esk Irrigation Scheme	8,814,272	5,602,554	14,416,826	8,814,272	5,610,054	14,424,326
Meander Valley Irrigation Scheme *	-	14,838,264	14,838,264	-	14,668,143	14,668,143
Midlands Water Scheme	65,487,723	25,227,639	90,715,362	65,487,723	24,853,166	90,340,889
Sassafras Wesley Vale Irrigation Scheme	6,114,000	5,719,849	11,833,849	6,114,000	5,716,060	11,830,060
South East Irrigation Scheme (Stage 1 and 2)	-	177,166	177,166	-	-	-
South East Irrigation Scheme (Stage 3) *	25,417,508	5,685,143	31,102,651	25,417,508	5,677,328	31,094,836
Southern Highlands Irrigation Scheme	22,906,229	6,428,210	29,334,439	-	-	-
Upper Ringarooma Irrigation Scheme	21,166,960	4,758,314	25,925,274	21,166,960	4,708,343	25,875,303
Whitemore Irrigation Scheme	5,050,000	5,618,776	10,668,776	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	4,356,557	10,848,181
Togari, Montagu and Riley's Creek Schemes *	-	254,650	254,650	-	237,961	237,961
	182,240,284	88,100,446	270,340,730	159,334,055	80,801,318	240,135,373

* Funded by government prior to acquisition by the Company

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B5 Property, plant and equipment (continued)

(ii) 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:

	2018	2017
Dial Blythe Irrigation Scheme	161,693	164,339
Great Forester Irrigation Scheme	12,935	20,543
Kindred North Motton Irrigation Scheme	131,925	165,519
Lower South Esk Irrigation Scheme	-	4,152
Meander Valley Irrigation Scheme	1,660,559	1,767,536
Midlands Water Scheme	2,832,687	3,163,612
Sassafras Wesley Vale Irrigation Scheme	7,170	11,995
South East Irrigation Scheme (Stage 1 and 2)	18,712	-
South East Irrigation Scheme (Stage 3)	-	463,165
Southern Highlands Irrigation Scheme	115,504	-
Upper Ringarooma Irrigation Scheme	818,875	397,359
Whitemore Irrigation Scheme	839,290	818,875
Winnaleah Irrigation Scheme Augmentation	10,712	12,621
Togari, Montagu and Riley's Creek Schemes	317,097	337,499
	6,927,159	7,327,215

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 using a pre-tax discount rate of 7% 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. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro-rata basis.

Tasmanian Irrigation Proprietary Limited

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

	2018	2017
Bank balances	10,753,113	17,359,434
Short-term investments		
Investments at call with Tascorp	468,716	440,704
Cash and cash equivalents in the statement of cash flows	11,221,829	17,800,138

(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 as follows:

	2018	2017
Cash flows from operating activities		
Profit (loss) for the period	(22,903,099)	(12,381,970)
Adjustments for:		
Depreciation and amortisation	760,034	848,003
Impairment of current assets	78,367	84,544
Impairment of non-current assets	30,205,356	11,040,352
Proceeds from sales of water entitlements recognised as investing activities	(10,811,576)	(2,688,092)
(Gain) loss on sale of non-current assets	(23,646)	446
	(2,694,564)	(3,096,717)
Change in trade and other receivables	(459,477)	980,440
Change in prepayments	92,958	(139,981)
Change in inventories	(160,784)	(37,188)
Change in other assets	496,927	584,514
Change in trade and other payables	1,965,330	(493,814)
Change in provisions and employee benefits	(69,669)	(427,992)
Change in deferred income	(135,080)	1,708,101
Change in unearned revenue	(433,005)	1,167,873
Net cash provided by / (used in) operating activities	(1,397,364)	245,236

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

C1 Cash and cash equivalents (continued)

(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	2018	2017
Balance at 1 July	47,947,515	25,465,701
Changes from financing cash flows:		
-	-	24,130,000
-	(20,778,453)	(1,648,186)
Balance at 30 June	<u>27,169,062</u>	<u>47,947,515</u>

C2 Receivables

	2018	2017
Trade receivables (i)	2,218,834	2,275,732
Impairment of trade receivables	(3,677)	(101,391)
Goods and services tax receivable	314,964	346,246
Accrued income	3,286,892	2,915,317
	<u>5,817,013</u>	<u>5,435,904</u>
Current	5,817,013	5,435,904
Non-current	-	-
	<u>5,817,013</u>	<u>5,435,904</u>

(i) Trade receivables are made up of annual charges relating to the operations of irrigation schemes as well as water entitlement sales. An allowance has been made for estimated irrecoverable trade receivable amounts determined by reference to past default experience.

	2018	2017
Ageing of past due but not impaired		
31 - 60 days	167,709	95,515
60+ days	578,998	382,753
	<u>746,707</u>	<u>478,268</u>
Movement in the allowance for impairment		
Balance at the beginning of the year	(101,391)	(125,008)
Impairment losses recognised on receivables	(66,105)	(106,105)
Reversal of impairment recognised on recovered receivables	16,792	17,093
Impaired receivables written-off during year	147,027	112,629
Balance at the end of the year	<u>(3,677)</u>	<u>(101,391)</u>

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

Impairment of financial assets

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.

C3 Inventories

	2018	2017
Water stock on hand		
South Riana Dam (Dial Blythe Irrigation Scheme)	35,749	61,727
Milford Dam (Lower South Esk Irrigation Scheme)	50,568	88,997
Daisy Banks Dam (South East Irrigation Scheme – Stage 2)	32,545	39,554
Rekuna Dam (South East Irrigation Scheme – Stage 3)	32,020	28,138
Dunns Creek Dam (Upper Ringarooma Irrigation Scheme)	32,210	36,846
Southernfield Dam (Southern Highlands Irrigation Scheme)	232,955	-
	416,047	255,262

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

	2018	2017
Trade payables	434,203	641,860
Accrued expenses	9,371,047	3,747,346
Interest payable	386,485	261,304
	10,191,735	4,650,510

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

C5 Deferred revenue

(i) Deferred income

	Note	2018	2017
Current			
Net Interest cover *		1,007,408	1,110,344
Asset renewal levies		143,000	320,824
Asset renewal levies – self managed		-	-
Operational grants		390,589	416,209
Project contributions – Farm Water Access Plans		169,761	188,851
		1,710,758	2,036,228
Non-Current			
Net Interest cover *		3,537,842	4,545,251
Asset renewal levies		3,152,053	2,040,034
Asset renewal levies – self managed		1,203,286	1,117,506
		7,893,181	7,702,791

* 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

	Note	2018	2017
		4,384,111	3,298,702
Cash held - scheme accounts		53,356	59,651
Outstanding debtors		34,106	43,905
Accrued ARL income current year		26,766	76,106
Other		4,498,339	3,478,364
		3,478,364	2,781,142

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

C5 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 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

30 June 2017

	Opening balance	Revenue	Expenditure	Movement	Closing balance
Dial Blythe Irrigation Scheme	54,741	68,068	-	68,068	122,809
Great Forester Irrigation Scheme	37,515	9,561	-	9,561	47,076
Kindred North Motton Irrigation Scheme	125,601	54,765	-	54,765	180,366
Lower South Esk Irrigation Scheme	104,444	37,720	-	37,720	142,164
Meander Valley Irrigation Scheme	181,335	94,516	-	94,516	275,851
Midlands Water Scheme	486,455	8,450	-	8,450	494,905
Sassafras Wesley Vale Irrigation Scheme	248,909	57,051	(19,536)	37,515	286,424
South East Irrigation Scheme (Stages 1 - 2)	163,496	48,146	(5,548)	42,598	206,094
South East Irrigation Scheme (Stage 3)	109,553	106,893	-	106,893	216,446
Southern Highlands Irrigation Scheme	-	-	-	-	-
Upper Ringarooma Irrigation Scheme	79,261	88,418	-	88,418	167,679
Whitemore Irrigation Scheme	182,523	38,520	-	38,520	221,043
Cressy Longford Irrigation Scheme	434,250	46,860	-	46,860	481,110
Winnaleah Irrigation Scheme	573,059	63,338	-	63,338	636,397
	2,781,142	722,306	(25,084)	697,222	3,478,364

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

C6 Unearned revenue

	2018	2017
Water entitlement deposits	2,459,507	2,892,512

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.

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

	2018	2017
Current liabilities - Employee benefits	418,597	465,204
Non- current liabilities - Employee benefits	180,888	203,950

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	
	2018	2017	2018	2017	2018	2017
Short-term employee benefits	210,472	224,130	1,011,381	722,503	1,22,853	946,633
Post-employment benefits	19,969	23,855	93,812	75,812	113,781	99,667
Other long-term employee benefits	-	-	24,062	(168,935)	24,062	(168,935)
Termination benefits	-	-	14,697	132,750	14,697	132,750
	230,441	247,985	1,143,952	762,130	1,374,393	1,010,115

For Directors Remuneration, Short-term employment benefits includes: Director fees, Committee fees and other benefits. Post-employment benefits represent superannuation contributions.

For Executive Remuneration, Short-term employment benefits includes: Base Salary, Short term incentive payments, vehicles and other benefits. Post-employment benefits represent superannuation contributions.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

D2 Key management personnel (continued)

Remuneration for the Board of Directors

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

Director Remuneration for Year ended 30 June 2018

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

Director Remuneration for Year ended 30 June 2017

Name	Position	Period	Director's fees	Committee fees	Superannuation ¹	Other	Total
Ms Samantha Hogg	Chairman	From: 9 September 2016	60,795	-	5,776	-	66,571
Mr John Lord	Chairman	To: 8 September 2016	18,215	-	1,731	-	19,946
Mr Roger Gill	Deputy Chairman	Full Term	62,000	-	5,890	-	67,890
Mr Geoff Coffey	Director	To: 31 December 2016	23,660	-	4,810	-	28,470
Mr Michael Chilvers	Director	Full Term	41,299	-	3,923	-	45,222
Mr Guy Kingwill	Director	From: 24 January 2017	18,161	-	1,725	-	19,886
Dr John Whittington	Director – Crown Servant ²	Full Term	-	-	-	-	-
Total			224,130	-	23,855	-	247,985

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

¹ Superannuation means the contribution to the superannuation fund of the individual.

² As a Crown Servant Dr J Whittington is not remunerated for his role on the Board.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

D2 Key management personnel (continued)

Executive remuneration

The following tables disclose the remuneration details for each relevant senior executive during the current and previous financial year:

Executive Remuneration for Year ended 30 June 2018

Name	Position	Period	Base Salary ¹	Short Term Incentive payment ²	Superannuation ³	Vehicles ⁴	Other Benefits ⁵	Total Remuneration Package	Termination Benefits ⁶	Other Non Monetary Benefits ⁷	Other Long Term Benefits ⁸	Total
Ms Nicola Morris ⁹	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	To: 4 June 2018	149,420	-	14,195	761	-	164,376	14,697	-	(4,446)	174,627
Mr Mike O'Shea	Water Delivery & Services	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 Proprietary Limited

Notes to the financial statements

D2 Key management personnel (continued)

Executive remuneration (continued)

Executive Remuneration for Year ended 30 June 2017

Name	Position	Period	Base Salary ¹	Short Term Incentive payment ²	Superannuation ³	Vehicles ⁴	Other Benefits ⁵	Total Remuneration Package	Termination Benefits ⁶	Other Non Monetary Benefits ⁷	Other Long Term Benefits ⁸	Total
Ms Nicola Morris ⁹	Chief Executive Officer	Full Year	300,171	-	28,685	13,450	-	342,306	-	-	4,698	347,004
Mr Luke Curtain	General Manager Corporate Services	To: 31 May 2017	191,729	-	28,200	12,650	-	232,579	53,485	-	(50,062)	236,002
Mr Mike O'Shea	General Manager	Full Term	156,729	-	14,889	10,817	-	182,435	-	-	(7,644)	174,791
Mr Gregory Stanford	General Manager Development	To: 25 August 2016	35,889	-	4,038	1,068	-	40,995	79,265	-	(115,927)	4,333
Total			684,518	-	75,812	37,985	-	798,315	132,750	-	(168,935)	762,130

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. These payments are capped at 15% of base salary as per the remuneration guidelines.

³ Superannuation means the contribution to the superannuation fund of the individual.

⁴ Vehicles represents the total cost of providing and maintaining a vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance costs and parking (including the notional value of parking provided at premises that are owned or leased and fringe benefits tax).

⁵ Other 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.

⁶ Termination benefits include all forms of benefit paid or accrued as a consequence of termination

⁷ 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.

⁸ Other long-term benefits include annual and long service leave movement.

⁹ CEO Appointed 1 March 2016 Contract term: 1 March 2016 – 31 July 2019

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

D2 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 Chief Executive Officer (CEO) is appointed 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. In addition to their salaries, the Company also provides non-cash benefits and contributes to post-employment superannuation plans on their behalf.

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 contain a termination clause that requires the CEO or the Board 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.

Termination benefits

Termination payments during the current 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.

Termination payments during the prior year included:

- Mr L Curtain - GM Corporate Services ceased employment effective 31 May 2017 and was paid \$53,485 representing the balance of his accrued annual leave.

- Mr G Stanford – GM Development ceased employment effective 25 August 2016 and was paid \$79,265 representing the balance of his accrued annual leave \$50,141 and accrued long service leave \$29,124.

Related party transaction

During the year, directors acquired irrigation water from the Company in the ordinary course of business. The total amount paid for the irrigation water was \$21,826 (2017: \$22,216), with all of this paid to the Company during the year.

Tasmanian Irrigation Proprietary Limited

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
- E2. Finance costs
- E3. Issued capital
- E4. Capital and risk management

E1 Loans and borrowings

	2018	2017
Current liabilities		
Secured loans - Tascorp	24,907,501	45,408,453
	24,904,501	45,408,453
Non-current liabilities		
Secured loans - Tascorp	2,261,561	2,539,062
	2,261,561	2,539,062

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Year of maturity	30 June 2018		30 June 2017	
			Face value	Carrying amount	Face value	Carrying amount
Secured loans - Tascorp	2.15% - 6.21%	2018 - 2023	27,376,244	27,169,062	48,292,852	47,947,515
Total interest-bearing liabilities			27,376,244	27,169,062	48,292,852	47,947,515

The Tascorp borrowings are secured by a Letter of Comfort from the Treasurer issued on 16 February 2015. Information about the Company's exposure to interest rate and liquidity risk is included in note E4.

E2 Finance costs

	2018	2017
Finance costs		
Interest on loans	1,060,689	1,172,873
Guarantee fee	727,454	392,824
Collection costs	10,388	1,340
	1,798,531	1,567,037

Recognition and measurement

Finance costs comprise interest expense and fees on borrowings and debtor collection fees.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

E3 Issued capital

	Ordinary shares	
	2018	2017
On issue at 1 July	189,390,142	169,321,192
Re-classification Government contribution	2,410,000	-
Government contributions	43,081,677	20,068,950
On issue at 30 June	234,881,819	189,390,142

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
- 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	
		2018	2017
Trade receivables	C2	2,215,157	2,174,341
Other financial assets	F2	602,252	1,099,178
		2,817,409	3,273,519

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. The allowance for impairment (refer note C2) represents the estimate of incurred losses in respect of trade receivables.

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 estimate of incurred losses in respect of these other financial assets.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

E4 Capital and risk management (continued)

Credit risk (continued)

Cash and cash equivalents

The Company held cash and cash equivalents of \$11,221,829 at 30 June 2018 (2017: \$17,800,138), which are held with an Australian-owned bank which is regulated by the Australian Prudential Regulatory Authority in accordance with the *Banking Act 1959*.

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.

The following are the contractual maturities of financial liabilities:

30 June 2018

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

30 June 2017

	Carrying amount	Contractual cash flows	1 mths or less	1-3 mths	3 mths - 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Secured loans - Tascorp	47,947,515	47,947,515	43,880,000	76,889	1,451,564	2,199,367	339,695
Trade and other payables	4,650,510	4,650,510	4,650,510	-	-	-	-
	52,598,025	52,598,025	48,530,510	76,889	1,451,564	2,199,367	339,695

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.



Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

E4 Capital and risk management (continued)

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 \$28,055 (2017: \$44,500).

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 \$27,169,062 (2017: \$47,947,515).

Tasmanian Irrigation Proprietary Limited

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
- F2. Other financial assets
- F3. Other assets
- F4. Contingencies
- F5. Subsequent events
- F6. Auditor's remuneration

F1 New accounting standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

- AASB 9 'Financial Instruments', AASB 2014-7 and 2014-8 'Amendments to Australian Accounting Standards arising from AASB 9 - The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. The effective date for mandatory adoption of the standard by the Company is in the year ending 30 June 2019. The Company is confident the application of the requirements of AASB 9 will not give rise to a material change in the current approach.
- AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 and AASB 2015-8 'Amendments to Australian Accounting Standard 15 – 'Revenue from Contracts with Customers' – This standard will replace AASB 118 and AASB 111, and features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The effective date for mandatory adoption of the standard by the Company is in the year ending 30 June 2019. Changes to the revenue recognition requirements are consistent with the current treatment and the impact on the company is not expected to be material.
- 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 option 2 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 \$700,617. The impact on expenditure is shown in note F4.

F2 Other financial assets

	2018	2017
Current assets		
Greater Meander Irrigation Scheme fixed repayment plans - 10 years	295,878	266,084
Non-current assets		
Greater Meander Irrigation Scheme fixed repayment plans - 10 years	306,374	1,130,094
Greater Meander Irrigation Scheme - impairment of repayment plan - 10 years	-	(297,000)
	306,374	833,094

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

F3 Other assets

	2018	2017
Cressy Longford Irrigation Scheme Limited	193,556	193,556
Winnaleah Irrigation Scheme Limited	232,792	232,792
Winnaleah Irrigation Scheme Limited - Augmentation loan	-	395,050
	426,348	821,398

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:

<i>As at 30 June 2018</i>	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

<i>As at 30 June 2017</i>	Within 1 year	Between 1 and 5 years	Total
Duck Irrigation Scheme	21,749,440	1,458,546	23,207,986
Southern Highlands Irrigation Scheme	138,000	-	138,000
Swan Valley Irrigation Scheme	1,796,674	-	1,796,674
	23,684,114	1,458,546	25,142,660

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

<i>As at 30 June 2018</i>	Within 1 year	Between 1 and 5 years	Total
Lease (Rental Contracts)	133,033	421,999	555,032

<i>As at 30 June 2017</i>	Within 1 year	Between 1 and 5 years	Total
Lease (Rental Contracts)	112,820	453,692	566,512

F5 Auditors remuneration

	2018	2017
Audit and review services		
Auditors of the Company		
<i>Auditor-General</i>		
Audit and review of financial statements	38,850	39,850

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



