A night sky with the Milky Way galaxy and a dark landscape with an irrigation system in the foreground. The Milky Way is visible as a bright, hazy band of stars across the upper half of the image. The foreground shows a dark, silhouetted landscape with an irrigation system consisting of a main pipe supported by several vertical posts and smaller diagonal braces. A bright, circular light source, likely the moon, is visible in the lower left quadrant of the sky.

Annual Report 2015/16

Tasmanian
Irrigation

Tasmanian Irrigation Pty Ltd ABN 95 722 799 075
Tasmanian Irrigation 2015/16 Annual Report
September 2016

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

Head Office and principal place of business:

Level 2, Terminal Building, Launceston Airport, Western Junction TAS

Postal Address:

PO Box 84, Evandale TAS 7212

Telephone (03) 6398 8433

Fax (03) 6398 8441

www.tasirrigation.com.au



COMPANY OVERVIEW

As a state-owned company, Tasmanian Irrigation's task is to develop and operate irrigation schemes in Tasmania.

The strategic objectives of the company are to:

- deliver reliable water;
- build irrigation schemes in partnership with the local community;
- provide value to our customers;
- support an active water market in Tasmania which ensures that the maximum value is generated from Tasmania's irrigation infrastructure and resources; and
- fully realise the benefit of Tasmanian Irrigation's irrigation schemes through increasing high value agricultural production.

Over the last eight years, Tasmanian Irrigation has overseen the development of 10 new irrigation schemes with the capacity to supply over 74,000 ML annually under the Tranche One program. The final three Tranche One schemes were operational for the 2015/16 irrigation season.

Tasmanian Irrigation is now progressing the development of a further five irrigation schemes, referred to as Tranche Two. As at 30 June 2016, construction had commenced on two of these schemes, the Southern Highlands Irrigation Scheme and the Swan Valley Irrigation Scheme, with the expectation that both schemes will be completed to provide water for the 2017/18 irrigation season. The three remaining Tranche Two projects are at various stages of the design and approvals phase. It is planned that the Business Cases for these three schemes will be finalised in the latter half of 2016.

In addition to the operation of 10 Tranche One schemes, Tasmanian Irrigation operates three schemes and five water supply and river improvement schemes, inherited from Tasmanian Irrigation Schemes, and oversees two schemes under self-management. With this increased level of operational responsibility, Tasmanian Irrigation continues to transition the focus of the organisation from a developer of irrigation schemes to a facilitator of their benefits through efficient and cost-effective operation and management.

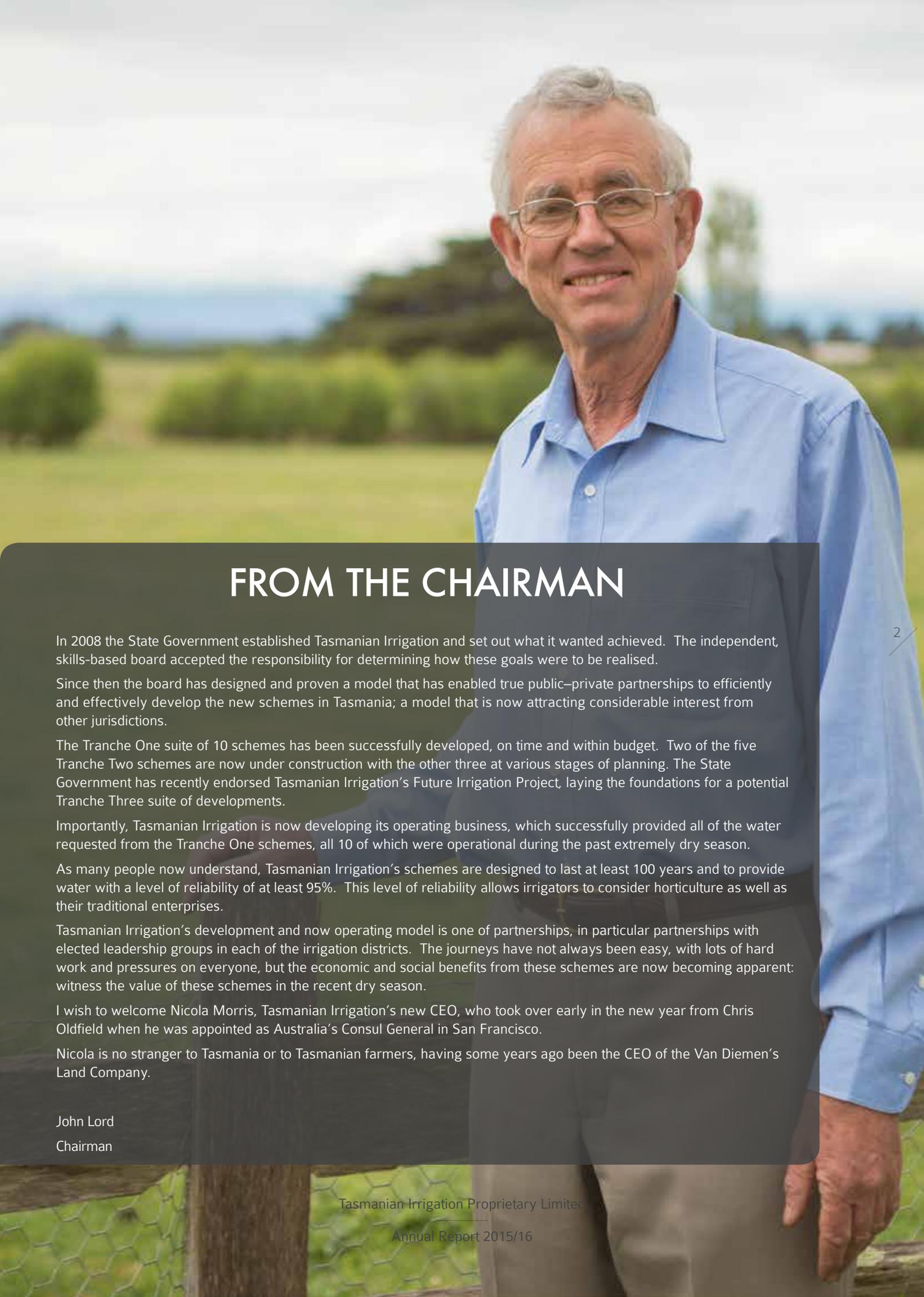
The availability of additional irrigation water through the development and operation of irrigation schemes will support Tasmanian farmers to move into higher value production. It will also drive growth and investment in Tasmania's food and agricultural sectors and rural and regional communities.

Tasmanian Irrigation Proprietary Limited

Annual Report 2015/16

CONTENTS

Company Overview	
From the Chairman	2
Chief Executive Officer's report	3
Highlights of 2015/16	5
Performance Targets for 2015/16	6
Review of Operations	7
2015/16 Irrigation Season Summary	9
Review of Build	10
Review of Corporate Services	13
Review of Environment	14
Public Interest Disclosures	15
Statement of Corporate Intent	16
Strategic Direction	19
Board of Directors	22
Financial Statements	24
Directors' report	25
Auditor's independence declaration	30
Directors' declaration	31
Independent auditor's report	32
Statement of financial position	35
Statement of profit or loss and other comprehensive income	36
Statement of changes in equity	37
Statement of cash flows	38
Notes to the financial statements	39



FROM THE CHAIRMAN

In 2008 the State Government established Tasmanian Irrigation and set out what it wanted achieved. The independent, skills-based board accepted the responsibility for determining how these goals were to be realised.

Since then the board has designed and proven a model that has enabled true public-private partnerships to efficiently and effectively develop the new schemes in Tasmania; a model that is now attracting considerable interest from other jurisdictions.

The Tranche One suite of 10 schemes has been successfully developed, on time and within budget. Two of the five Tranche Two schemes are now under construction with the other three at various stages of planning. The State Government has recently endorsed Tasmanian Irrigation's Future Irrigation Project, laying the foundations for a potential Tranche Three suite of developments.

Importantly, Tasmanian Irrigation is now developing its operating business, which successfully provided all of the water requested from the Tranche One schemes, all 10 of which were operational during the past extremely dry season.

As many people now understand, Tasmanian Irrigation's schemes are designed to last at least 100 years and to provide water with a level of reliability of at least 95%. This level of reliability allows irrigators to consider horticulture as well as their traditional enterprises.

Tasmanian Irrigation's development and now operating model is one of partnerships, in particular partnerships with elected leadership groups in each of the irrigation districts. The journeys have not always been easy, with lots of hard work and pressures on everyone, but the economic and social benefits from these schemes are now becoming apparent: witness the value of these schemes in the recent dry season.

I wish to welcome Nicola Morris, Tasmanian Irrigation's new CEO, who took over early in the new year from Chris Oldfield when he was appointed as Australia's Consul General in San Francisco.

Nicola is no stranger to Tasmania or to Tasmanian farmers, having some years ago been the CEO of the Van Diemen's Land Company.

John Lord
Chairman



CHIEF EXECUTIVE OFFICER'S REPORT

Returning to Tasmania after an interval of over five years I have been struck by the changing face of agriculture around the State.

Much of the change I see is a direct result of the investment that irrigators and the state and federal governments have made into irrigation schemes. Irrigation water has been available in many areas prior to the advent of Tasmanian Irrigation's schemes, but the assured availability of 95% reliability water and access to more water in areas of previous deficit has given irrigators the confidence to invest in their businesses. We see additional land under irrigation, new methods of irrigation delivery and increased investment into existing land to maximise returns.

2015/16 saw all 10 of the schemes in Tranche One in operation and the five schemes, which comprise Tranche Two, are all in development, with two in construction.

With the completion of Tranche One, a successful public and private partnership has invested \$319 million into the schemes with an estimated further \$265 million in on-farm investment to utilise water.

With the combination of both tranches, nearly one billion dollars is projected to be invested to grow Tasmania's agricultural future.



In the very dry period experienced in the 2015/16 irrigation season we saw the true value of highly reliable irrigation with over 67,000 mega litres (ML) of water delivered, over double that delivered in the previous season. When all five Tranche Two schemes are in operation, Tasmanian Irrigation's potential water delivery will be in excess of 100,000 ML.

Tasmanian Irrigation is adjusting its focus. Since its inception, Tasmanian Irrigation has been charged with the identification and development of irrigation schemes and it continues to perform this task very well. We are now, however, turning our focus to the next phase of our business, which is to deliver water to our irrigators. The future of Tasmanian Irrigation will be determined by our ability to deliver water, on time, sustainably and at a cost which allows our irrigators to utilise the water for productive purposes.

I would like to acknowledge the work of my predecessor Chris Oldfield, who has led the organisation through much of this growth process. I would also like to thank the Tasmanian Irrigation staff, irrigator committees and contractors who have helped Tasmanian Irrigation deliver on its objectives and who have helped me to settle into my role as CEO.

With the ongoing support of our stakeholders I believe that the future for Tasmanian Irrigation is immensely positive and we will continue to use our skills and experiences to assist the State achieve its challenging yet achievable 2050 Agrivision.

In closing I would like to farewell two of Tasmanian Irrigation's inaugural directors, John Lord and Geoff Coffey. Their vision and leadership has helped change the face of irrigation within Tasmania.

Nicola Morris
Chief Executive Officer

HIGHLIGHTS OF 2015/16

- Despite the very dry period all water requested within allocations was delivered to irrigators¹.
- Upper Ringarooma, Dial Blythe and the South East Stage 3 irrigation schemes all successfully completed their first irrigation season.

OPERATIONS

- Construction commenced on the Southern Highlands and Swan Valley irrigation schemes.
- Acceptance of the Future Irrigation Project, part of the State Government's 'Brighter Future for Tasmania' plan, by Tasmanian Irrigation's Shareholder Ministers.
- Completion of water sales for the North Esk Irrigation Scheme, with the initial scheme capacity being exceeded.

CONSTRUCTION

- Increased water trading activity, with around 340 irrigation right trades state-wide for a volume of just over 18,200 ML.
- Water auction and ongoing fixed price sales resulting in additional sales of water entitlements throughout the year with four operational irrigation schemes now being fully subscribed.

CORPORATE SERVICES

- A total of 464 Farm Water Access Plans completed and in place across Tasmanian Irrigation's operational schemes.
- All environmental compliance monitoring and reporting completed within required timeframes with no impacts detected from the operation of Tasmanian Irrigation schemes.

ENVIRONMENT

¹Reference to 'very dry period' is used throughout this document and refers to the below average rainfall and above average temperatures experienced throughout Tasmania between October 2015 and February 2016.

PERFORMANCE TARGETS 2015/16

Financial Indicators

Financial KPIs	Actual	2015/16	
		Target	Outcome
Budget Delivery – Schemes Developed Within Budget	100%	100%	Fully Achieved
Project Pre-feasibility Overheads & Administration Costs	\$3,115,669	\$6,320,000	Fully Achieved
Post-Construction Water Sales	\$3,690,200	\$7,230,000	Not Achieved ¹
Overheads per ML of Water Entitlement Issued	\$16.55	\$17.94	Fully Achieved
Fixed Revenue (exc. Asset Main) / Fixed Expense (%)	109%	100%	Fully Achieved
Variable Revenue / Variable Expenses (%)	138%	100%	Fully Achieved ²
Average Debtors Days	42 Days	45 Days	Fully Achieved
Asset Renewal Levy / Asset Renewal Annuity (%)	100%	100%	Fully Achieved

¹A number of schemes did not meet expected sales targets, specifically Midlands – Winter Entitlements and Greater Meander schemes.

Tasmanian Irrigation has undertaken to implement a dedicated water sales strategy for the next reporting period.

²This is predominantly from a one off event relating to a positive movement in the price received for renewable energy certificates, which was offset against the variable charge for the Midlands Water Scheme.

Non-Financial Indicators

Non-Financial KPIs	Actual	2015/16	
		Target	Outcome
Lost Time Injury Frequency Rate	Nil	Nil	Fully Achieved
Hours of work per positive performance indicator activity	28	40	Fully Achieved
Number of significant incidents	Nil	Nil	Fully Achieved
Annual Farm WAP Audits (%)	100%	100%	Fully Achieved
Number of Approved Business Cases	2	2	Fully Achieved
Number of Schemes in Construction	2	3	Not Achieved ¹
Delivery to Order Ratio (%)	100%	95%	Fully Achieved
Unplanned Outages	7	5	Not Achieved ²
Actions Closed Out in Agreed Timeframe	90%	100%	Not Achieved ³
Average Review of Asset Management Plans	3.4 years, with 2 greater than 5 years	3 years, with none greater than 5 years	Not Achieved ⁴

¹Delays in meeting the water sales thresholds for two Tranche Two schemes resulted in an extended water sales period. The flow on from this is that a third scheme did not commence construction in the reporting period.

²Unplanned outages for the past season were predominantly related to upgrade works on the Midlands Hwy which required a realignment of power lines. Discussions with relevant agencies to try and minimise outages continue.

³Timeframes were exceeded as a result of unforeseen issues arising once work on an action item had commenced.

⁴In recognition of Tasmanian Irrigation's failure to meet this KPI Tasmanian Irrigation has implemented a project to bring the overall review program in line with expectations during the next reporting period.

REVIEW OF OPERATIONS

Great Forester Irrigation Scheme (Headquarters Road)

Capacity:	1,980 ML
Water sales:	1,980 ML
Uptake:	100%
Water Delivered 2015/16	1,240 ML

Whitemore Irrigation Scheme

Capacity:	5,500 ML
Water sales:	3,965 ML
Uptake:	72%
Water Delivered 2015/16	3,137 ML

Sassafras Wesley Vale Irrigation Scheme

Capacity:	5,460 ML
Water sales:	5,460 ML
Uptake:	100%
Water Delivered 2015/16	4,378 ML

Greater Meander Irrigation Scheme

(incorporating Meander River and Pipelines)

Capacity:	36,000 ML
Water sales:	25,641 ML
Uptake:	71%
Water Delivered 2015/16	19,992 ML

Lower South Esk Irrigation Scheme

Capacity:	5,298 ML
Water sales:	5,298 ML
Uptake:	100%
Water Delivered 2015/16	2,836 ML

Midlands Water Scheme

Capacity:	38,500 ML
Water sales:	28,503 ML
Uptake:	74%
Water Delivered 2015/16	25,949 ML

Kindred North Motton Irrigation Scheme

Capacity:	2,500 ML
Water sales:	1,835 ML
Uptake:	73%
Water Delivered 2015/16	1,280 ML

Upper Ringarooma Irrigation Scheme

Capacity:	5,700 ML
Water sales:	4,015 ML
Uptake:	70%
Water Delivered 2015/16	1,240 ML

South East (stage 1) Irrigation Scheme

Water sales:	2,645 ML
Uptake:	100%
Water Delivered 2015/16	1,839 ML

South East (stage 2) Irrigation Scheme

Water sales:	1,976 ML
Uptake:	100%
Water Delivered 2015/16	1,714 ML

South East (stage 3) Irrigation Scheme

Capacity:	3,000 ML
Water sales:	2,505 ML
Uptake:	84%
Water Delivered 2015/16	1,166 ML

Dial Blythe Irrigation Scheme

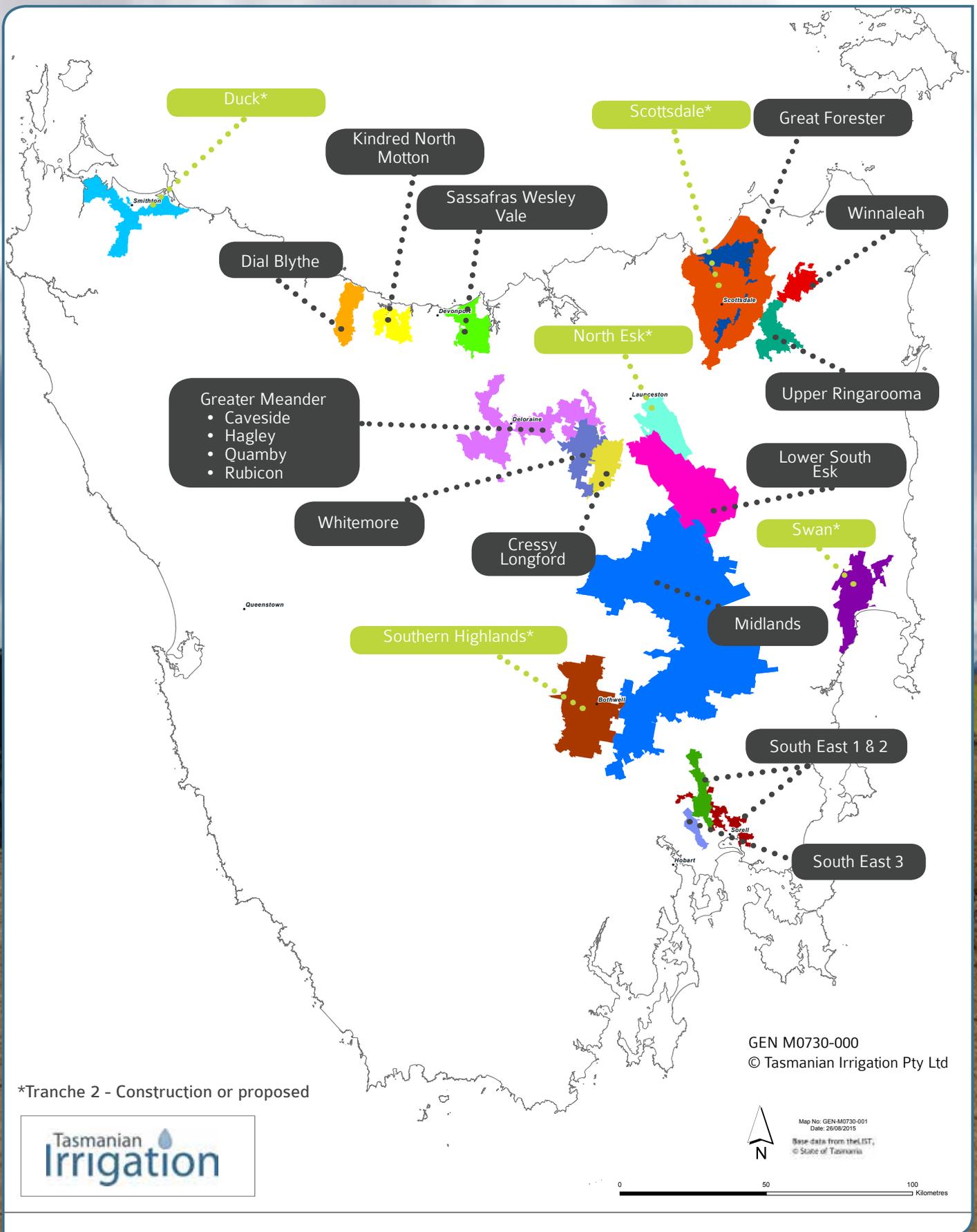
Capacity:	2,855 ML
Water sales:	2,490 ML
Uptake:	87%
Water Delivered 2015/16	1,702 ML

SUMMARY

For the 2015/16 irrigation season, Tasmanian Irrigation operated 12 irrigation schemes, managed five water supply and river improvement schemes and oversaw the self-management of two irrigation schemes.

	No. of Schemes	Available ML	Customers
Total Operating Schemes	12	115,024	806
Total Self-Managed Schemes	2	15,249	98
Total Water Supply and River Improvement Schemes	5	n/a	80
Total Schemes	19	130,273	984

SCHEME MAP



2015/16 IRRIGATION SEASON SUMMARY

Low river levels and the below average rainfall leading up to and during the 2015/16 irrigation season, in many irrigation districts, meant there was significant demand on most of Tasmanian Irrigation's operational schemes. For many of the schemes, the past season saw the highest volume of water ever ordered and delivered, testing Tasmanian Irrigation's internal systems and operators.

The season also saw increased water trading activity, allowing water entitlement holders to access additional flow rate and volumes during the season in order to meet demand. Around 340 irrigation right trades were administered for a total volume of just over 18,200 ML during the period from July 2015 to June 2016, demonstrating that the Tasmanian water market continues to mature.

Water Delivered

All water requested within allocations was delivered to irrigators in a timely manner. While there were times when operators were challenged to meet irrigator demand, because of the high volume of requests that came through at the same time, operators were proactive in organising trades to ensure that water was able to be supplied where required.

Irrigator Representative Committees

Irrigator Representative Committees are established during the early stages of scheme design and represent the diverse interests of each irrigation community. Once a scheme is operational, these committees continue to provide an important link between Tasmanian Irrigation and each irrigation district.

The 2015/16 irrigation season confirmed the company's view that a renewed focus on irrigator engagement is required. During the season, and for the purpose of the next reporting period, Tasmanian Irrigation continued to roll out its plan for the future of its operations. This plan involves working with Irrigator Representative Committees to understand the needs of irrigators and how Tasmanian Irrigation may best accommodate them.

As a first step, discussions have commenced with Irrigator Representative Committees and will continue to evolve in preparation for the next irrigation season. Dam Fill Strategies have been a particular focus that has come out of these discussions to date, as well as the need

for timely communication in the event of increased stress on water supplies, as was present in the south-east during the past season.

Irrigators

It was reassuring to hear that, during the 2015/16 irrigation season, irrigators, through their respective Irrigator Representative Committee Chairs, commented on the responsiveness and 'can do' approach of Tasmanian Irrigation's scheme operators.

Overall the feedback received with regard to the 2015/16 season indicates that in many areas irrigators would not have been able to maintain a viable farming operation without having access to the water in the irrigation schemes during the very dry period and the conditions it presented.

In August 2015, Tasmanian Irrigation established an Irrigator Service Charter, which outlines the mutual obligations of Tasmanian Irrigation and irrigators to ensure a reliable supply of water. In the charter, Tasmanian Irrigation commits to irrigators to consult, inform and to be accountable for actions. This includes:

- to undertake work in a safe and environmentally sound manner;
- to follow through with commitments;
- to consult on issues regarding water supply and how those issues may impact on an irrigator's business; and
- to constantly strive for improvement.

Further work continues on establishing the operating model to ensure that an acceptable and sustainable standard of service is provided in the most efficient manner. Specific attention is being provided to deliver an efficient support framework to front-line operational staff to provide an effective framework to deliver on Tasmanian Irrigation's commitments to its customers, regulators and other key stakeholders.

Scheme Financials

The majority of schemes have covered the budgeted costs for the 2015/16 irrigation season. Some of the smaller volume schemes are currently not achieving full cost recovery. This is due to a low base to recover fixed costs leading to extended pricing paths continuing to be required to get them onto a sustainable footing going forward.

Pumping efficiency continues to be an area of focus for operators.

Dam Storages

At the beginning of the 2015/16 irrigation season the majority of Tasmanian Irrigation dams were at, or close to, full supply. While Dunns Creek and South Riana dams were on their first fill, they still had sufficient storages to provide 100% allocations to water entitlement holders.

At the close of the 2015/16 irrigation season, and due to high demand, most storages were at low levels and dam fill strategies were put in place for several dams to ensure sufficient fill in preparation for the 2016/17 irrigation season.

Dam Safety

Tasmanian Irrigation currently manages 15 dams and three small diversion weirs.

During the reporting period Tasmanian Irrigation completed a due diligence study on Lake Leake and Tooms Lake dams prior to finalising arrangements around the transfer of ownership of these dams to Tasmanian Irrigation.

Of significance during the 2015/16 season were the repair works carried out by Tasmanian Irrigation, at the direction of DPIPWE, on the Lake Leake Dam following the identification of a piping event that could have led to structural failure if not addressed. In order to rectify the situation, Tasmanian Irrigation installed a new filter system in the dam wall.

Under our Dam Safety Management Plan a dam event was declared for three of Tasmanian Irrigation's dams during the June 2016 extremely high rainfall events. Meander Dam, Upper Floods Creek and Dunns Creek all reached spill levels that exceeded historic highs, triggering a dam event. As a result, some minor damage in the areas below the spillway of each dam was identified and will be assessed for repair as conditions allow. This event was not a safety concern but saw conditions outside those previously experienced.

Tasmanian Irrigation continues to implement and further enhance its overall dam safety management system in accordance with ANCOLD Guidelines, with particular reference to a risk-based prioritised works program for the portfolio of dams going forward.

REVIEW OF BUILD

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

Proposed (as at 30 June 2016)	
Irrigation Scheme	Water Entitlements (ML)
Duck	5,200
North Esk	2,850*
Scottsdale	8,600

*Following the water sales process offers for 4,680 ML were received and a Business Case is being prepared on this basis.

UNDER CONSTRUCTION

Southern Highlands Irrigation Scheme

In October 2015 government funding was announced for construction of the Southern Highlands Irrigation Scheme (SHIS). The SHIS is the first of Tasmanian Irrigation's Tranche Two schemes to progress into construction and is on schedule to provide water to irrigators for 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 will deliver water over a 150-day irrigation season. Construction of the Southernfield Dam was awarded to Gradco Pty Ltd in late 2015, with works on site commencing in March 2016. In December 2015 Andrew Walter Constructions was awarded the construction contract for the Shannon River Pump Station and scheme pipelines and commenced site works in May 2016.

Swan Valley Irrigation Scheme

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 progress to construction and is on schedule to provide water to irrigators for the 2017/18 irrigation season.

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.

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

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.

An open tendering process for the construction of the scheme was conducted, with Hall Earthmoving Pty Ltd contracted to construct the dam and Total Eden Pty Ltd, a member of the RuralCo group of companies, to construct the pump station and distribution pipeline to service the 19 participating properties.

Construction activities on the scheme commenced in June 2016 and are scheduled to be completed by approximately June 2017.



REVIEW OF BUILD CONT.

PROPOSED (subject to public funding commitment)

Duck Irrigation Scheme

Following water sales of 5,170 ML in July 2015 the proposed Duck Irrigation Scheme 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.

During the period October 2015 to February 2016 surveys for flora, fauna, heritage and geotechnical values were conducted on the pipeline and pump station footprints and the dam geotechnical survey was conducted in May 2016.

The Business Case received board approval in February 2016 and is currently being reviewed by the State Government. As at 30 June 2016 Tasmanian Irrigation was awaiting confirmation that the irrigation district and water licence for the Duck River had been granted and were preparing to seek expressions of interest from prospective contractors to build the scheme. The dam permit application is pending approval from DPIPWE and the development application has been submitted and pending approval from the Circular Head Council.

North Esk Irrigation Scheme

The Business Case for the North Esk Irrigation Scheme was submitted to the State Government for consideration in June 2015; however, it was paused when it became apparent that the scheme design for 2,850 ML, which was based on earlier expressions of interest, was likely to be inadequate to satisfy increased community demand. In a variation to the usual practice of undertaking water sales after the Business Case has been approved, the North Esk water sale was held in April 2016. Offers for 4,680 ML were received and a revised Business Case will now be prepared on this 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 has undergone significant redesign to find an appropriate, cost-effective solution to satisfy the demand. The redesigned scheme now consists of a 5,000 ML storage, 55.8 kilometres of transfer and distribution pipeline and three pump stations. The transfer of water from the North Esk to the Dalness Dam will be via pumped infrastructure, as a cost-effective gravity feedline could not be confirmed.

Scottsdale Irrigation Scheme

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

An addendum Business Case was submitted to the State Government to accommodate the updated funding requirements associated with this change of design. The addendum Business Case will be reviewed by the State Government following approval of the water licence and dam works permit for the scheme.

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 good gravity pressure, and three local waterways. The scheme incorporates a 2-megawatt mini-hydro power station.

REVIEW OF BUILD CONT.

PROJECT ADVISORY

Southern Forests Irrigation Scheme

At the request of the Western Australian Government as part of its Water for Food initiative, Tasmanian Irrigation has been engaged to assist the development of the Southern Forests project through to Business Case, utilising the skills and knowledge acquired through the development of Tasmanian Irrigation's Tranche One projects.

The scheme is centred on the township of Manjimup, approximately 400 kilometres south-west of Perth. The region's current irrigated cropping is centred on high-value horticulture with limited ability to expand due to poor water quality in some areas and a rapidly drying climate.

Tasmanian Irrigation has assisted the Water for Food program through extensive communication on how water can be owned, delivered and traded to ensure the water retains value and can attract the greatest economic return through scheme design and trading rules similar to those that underpin Tasmanian Irrigation's schemes.

Expressions of interest (EOI) in the purchase of water were sought during January to March 2016 with the end result being 12,130 ML requested from 111 interested parties, demonstrating a high level of community support.

The current design delivers 9,235 ML to 96 EOIs with some requests deemed not financially viable. The EOIs have defined the irrigation area enabling a land capability and land use assessment, enterprise mix and margin assessment and a socio-economic assessment to be completed. This information, along with guidance on Tasmanian Irrigation governance arrangements and the structure of water entitlements, will now be used to complete the Business Case for the proposed scheme in the second half of 2016.

Future Irrigation Project

At the core of the State Government's plan for a Brighter Future for Tasmania is a commitment 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 \$500,000 to Tasmanian Irrigation in the 2014/2015 budget to assess and provide advice on the potential for interconnectivity between existing schemes within the State, together with proposals for the enhancement and modernisation of existing schemes.

To achieve this Tasmanian Irrigation set up the Future Irrigation Project and investigated:

Potential opportunities for interconnectivity between existing irrigation schemes;

Potential opportunities for enhancement and modernisation of existing irrigation schemes throughout Tasmania;

Renewable energy opportunities; and

Potential opportunities for the development of new irrigation schemes.

After extensive investigation and consultation Tasmanian Irrigation identified eight concepts that have the potential to enhance the productive capacity of Tasmania. These concepts were presented in detail in a report to the State Government in May 2016.

As part of this project 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, with an objective of progressing at least two of these to Business Case by 2018.

REVIEW OF CORPORATE SERVICES

Compliance and Risk

Tasmanian Irrigation is committed to delivering projects and services in compliance with all legislative requirements, including those related to occupational health and safety and the environment.

Tasmanian Irrigation's Business Risk Management Framework is based on ISO 31000 and is used to formalise and communicate the company's approach to the oversight and management of risks.

As part of Tasmanian Irrigation's Risk Management Framework, the annual formal business risk assessment and risk treatment plan commenced in April 2016 and will be finalised during the 2016/17 reporting period.

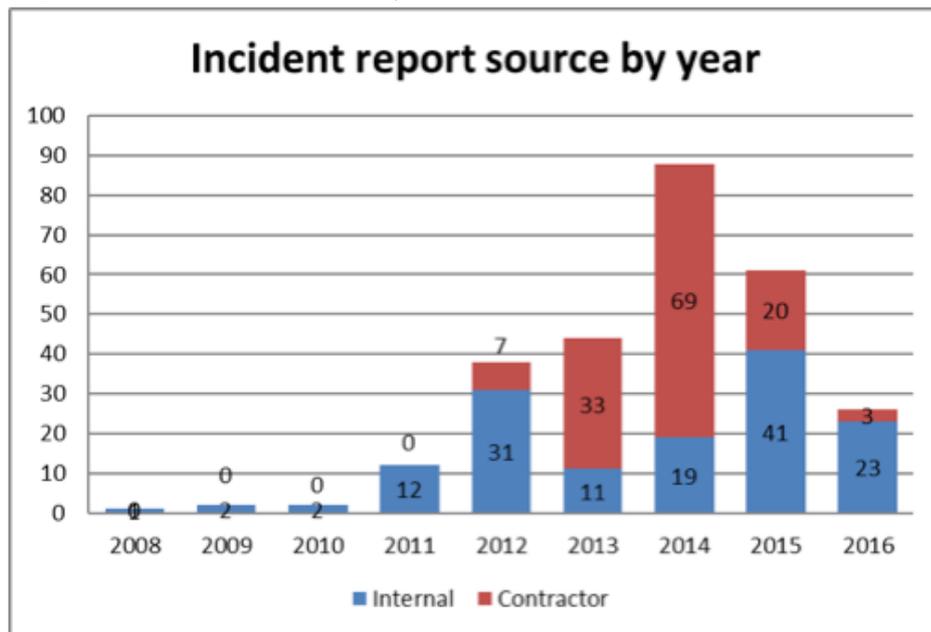
Occupational Health and Safety

The 2015/16 financial year has seen Tasmanian Irrigation's OHS performance improve with an increased awareness of preventative measures being the focus.

The adopted Positive Performance Indicator (PPI) measures have continued to improve from Tasmanian Irrigation employees as they become more adept in identifying and being more proactive towards OHS activities. Overall the PPI rate has moved back slightly; however,

this is more a reflection of the decrease in construction activity where a very high level of pre-start meetings, tool box and take 5 measures are used by a large proportion of the workforce on a daily

of opportunity for improvement in the systematic management of our documentation, OHS internal audit processes and action tracking.



basis. With construction getting under way again with the SWAN and SHIS projects the PPI should improve in the coming year.

External audits from our certifier, SAI Global, continue to provide areas

During the 2015/16 reporting period, there were 40 incidents reported, two of which required medical treatment and one that required first aid treatment. Thirteen near misses were reported and the remaining were related to property damage or hazard reports. There were no lost time incidents. These safety statistics include the performance of TI contractors.

	Target	Actual		
		15/16	14/15	13/14
LTIFR	0	0	4	6.9
MTIFR	0	26	27	n/a
TIFR	0	26	36	n/a
PPI	<40	28	22	38
Hours worked	0	85,528	257,638	299,280

LTIFR - Lost Time Incident Frequency Rate

MTIFR - Medical Treatment Incident Frequency Rate

TIFR - Total Incident Frequency Rate

PPI - Positive Performance Indicator



REVIEW OF ENVIRONMENT

A total of 110 water quality monitoring sites were sampled in 66 waterways on a monthly basis during the irrigation season. The results indicate that there were no impacts to water quality or aquatic health attributed to the operation of Tasmanian Irrigation's schemes.

A breach of the Farm Water Access Plan framework was identified in one scheme during the irrigation season. An environmental audit was conducted and determined that there was no measurable environmental impact as a result of the incident.

A partnership project with UTAS on identifying and managing blue green algae in storages is under way within two of Tasmanian Irrigation's storages. There were no blue green algae or any aquatic weeds detected in Tasmanian Irrigation storages during 2015/16.

Delivering water in river systems with low base flows has proven to be challenging during the 2015/16 irrigation season. Significant work was undertaken during the season to better understand the issues associated with delivering water via river

systems. In particular, extra gauging stations were installed and hydrography and hydrological modelling work was developed for the Macquarie and Meander rivers. The findings of this work will be used to inform the river delivery processes for the schemes in future irrigation seasons.

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:

1. 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
2. no disclosures of public interest were made to Tasmanian Irrigation during the year;
3. no public interest disclosures were investigated by Tasmanian Irrigation during the year;
4. no disclosed matters were referred to Tasmanian Irrigation during the year by the Ombudsman;
5. no disclosed matters were referred during the year by Tasmanian Irrigation to the Ombudsman to investigate;
6. no investigations of disclosed matters were taken over by the Ombudsman from Tasmanian Irrigation during the year;
7. there were no disclosed matters that Tasmanian Irrigation decided not to investigate during the year;
8. there were no disclosed matters that were substantiated on investigation as there were no disclosed matters;
9. the Ombudsman made no recommendations under the Act that relate to Tasmanian Irrigation.

BUY LOCAL

Purchases from Tasmanian Businesses

% of purchases from Tasmanian businesses	% 87.82
Value of purchases from Tasmanian businesses	\$ 20,799,561.21

Name of Consultant	Location	Description	Period of Engagement	Amount (ex GST)
Entura	Hobart	Ajenti Administration & Data Management	1/07/2015 - 30/06/2016	\$59,876.72
Geoton Pty Ltd	Launceston	Duck River - Mill Creek Dam Detailed Geotechnical Assessment	1/04/2016 - 31/05/2016	\$128,602.10
GHD Pty Ltd	Hobart	Swan Valley - Melrose Dam Design Contract	1/04/2016 - 31/05/2017	\$160,405.00
IPD Consulting Pty Ltd	Launceston	Southern Highlands - Engineering Services	1/03/2016 - 30/06/2016	\$48,717.00
Macquarie Franklin Pty Ltd	Deveonport	Southern Highlands - Supervisor Services	1/04/2016 - 30/06/2016	\$48,717.00
Pitt & Sherry Pty Ltd	Launceston	Southern Highlands - Superintendent Services	1/02/2016 - 30/06/2016	\$68,786.68
Pitt & Sherry Pty Ltd	Launceston	Swan Valley - Superintendent Services	1/12/2015 - 30/06/2016	\$75,009.43
Pitt & Sherry Pty Ltd	Launceston	Scottsdale - Camden Dam Geotechnical Assessment	1/10/2015 - 30/11/2015	\$117,200.60
Pitt & Sherry Pty Ltd	Launceston	Future Irrigation Project - Technical Support	1/10/2015 - 30/06/2016	\$71,022.44
Aecom Australia Pty Ltd	Sydney, NSW	Lake Leake - Dam Remedial Works	1/02/2016 - 31/03/2016	\$72,470.00
			Total	\$852,139.96

There were 48 consultants engaged for \$50,000 or less totalling **\$1,707,815.24**

Tasmanian Irrigation Proprietary Limited

Annual Report 2015/16

PAYMENT OF ACCOUNTS

Accounts due or paid within each year	Measure
Creditor days	7.70
Number of accounts due for payment	2,846
Number of accounts paid on time	2,254
Amount due for payment	\$21,530,798.44
Amount paid on time	\$18,349,544.41
Number of payments for interest on overdue accounts	1

STATEMENT OF CORPORATE INTENT

Part 1 – Strategic Direction Business Overview

Tasmanian Irrigation Pty Ltd (Tasmanian Irrigation) is a state-owned company established by an Act of the Tasmanian Parliament.

The strategy of Tasmanian Irrigation has been formed to realise the principal objectives of the organisation as outlined in the *Irrigation Company Act 2011* and the expectations and requirements of Tasmanian Irrigation's Shareholding Ministers (the Minister for Primary Industries and Water and the Treasurer).

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

- develop, own and operate irrigation schemes in Tasmania.

Tasmanian Irrigation's principal objectives are to undertake its function and exercise its powers to be a successful business by:

- operating in accordance with sound commercial practice and as efficiently as possible; and

- achieving a sustainable rate of return on its commercial operations and achieving targets as detailed in the Corporate Plan, having regard to the social, environmental and economic objectives of the State.

Tasmanian Irrigation's core business relates to the development, operation and ownership of irrigation schemes throughout Tasmania. More specifically, these tasks relate to:

- the administration of existing irrigation, river improvement and drainage schemes;
- providing, on a cost recovery basis at a minimum, administrative and management support to schemes owned by Tasmanian Irrigation and managed by local communities;
- investigating and reporting on the viability of potential irrigation projects, to ensure that the Government makes the best use of limited financial and water resources;
- undertaking irrigation-related development work as directed by the Government;

- maintaining water rights registers for each scheme and maintain and report relevant water use information in accordance with legislative and policy requirements;
- retaining ownership of irrigation scheme infrastructure and managing it appropriately;
- owning and operating mini-hydro power stations where approved as part of an irrigation scheme business plan;
- monitoring and managing compliance with the licences and permits that apply to Tasmanian Irrigation schemes; and
- monitoring, managing and enforcing the by-laws created for the irrigation districts.

STATEMENT OF CORPORATE INTENT CONT.

The following tables outline Tasmanian Irrigation's main undertakings as at 30 June 2016:

Irrigation schemes under Tasmanian Irrigation operation & administration (formerly operated & administered by Tasmanian Irrigation Schemes Pty Ltd)

Irrigation Scheme	No. Irrigation Rights (ML)	Communities Benefiting
South East Irrigation Scheme (Stage 1 & Stage 2)	4,610	Richmond, Campania, Cambridge, Tea Tree
Furneaux Drainage Scheme	n/a ¹	Eastern side of Flinders Island
Greater Meander Irrigation Scheme ²	36,000	Meander, Deloraine, Caveside, Dairy Plains, Hagley, Westbury, Quamby, Osmaston, Red Hills, Elizabeth Town
Montague Catchment Area River Improvement Scheme	n/a ¹	Togari
Riley's Creek Dam	1,100	Geeveston
Togari Water Supply Scheme	n/a ¹	Togari
Welcome River Improvement Scheme	n/a ¹	Welcome River

1. No irrigation rights issued. Tasmanian Irrigation responsibilities relate to maintenance of specific watercourses (Montague & 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, Hagley, Quamby & Rubicon pipelines. A hydrology assessment is being undertaken on the available irrigation rights in the scheme. This Corporate Plan is based on the scheme being able to issue 36,000 ML of irrigation rights.

Irrigation schemes under Tasmanian Irrigation ownership & local community management (formerly overseen by Tasmanian Irrigation Schemes Pty Ltd)

Irrigation Scheme	No. Irrigation Rights (ML)	Communities Benefiting
Cressy Longford Irrigation Scheme	8,295	Cressy, Bishopsbourne, Toiberry, Longford
Winnaleah Irrigation Scheme	3,254	Branxholm, Winnaleah

Irrigation schemes under Tasmanian Irrigation operation & administration (developed by Tasmanian Irrigation Pty Ltd)

Irrigation Scheme	No. Irrigation Rights (ML)	Communities Benefiting
Great Forester Irrigation Scheme (Headquarters Road Dam)	1,980	Scottsdale, Springfield, Bridport
Sassafras Wesley Vale Irrigation Scheme	5,460	Sassafras, Wesley Vale, Moriarty, Harford, Thirlstane, Northdown
Winnaleah Irrigation Scheme Augmentation	3,700	Branxholm, Winnaleah
Whitemore Irrigation Scheme	5,500	Whitemore, Oaks, Bracknell, Liffey, Glenore
Lower South Esk Irrigation Scheme	5,298	Cleveland, Epping Forest, Nile, Powranna, Evandale, Perth, Longford
Kindred North Motton Irrigation Scheme	2,500	Kindred, Sprent, Forth, Abbotsham, Gawler, North Motton
Midlands Water Scheme	38,500	Campbell Town, Ross, Tunbridge, Oatlands, Mt Seymour, Jericho, Kempton
Dial Blythe Irrigation Scheme	2,855	Cuprona, Natone, West Pine, Sulphur Creek, Riana, South Riana
South East (Stage 3)	3,000	Brighton, Coal River, Sorell, Orielson, Forcett
Upper Ringarooma Irrigation Scheme	5,700	Ringarooma, Legerwood, Branxholm

Tasmanian Irrigation Proprietary Limited

STATEMENT OF CORPORATE INTENT CONT.

Irrigation schemes under investigation by Tasmanian Irrigation - future program (Tranche Two)

Irrigation Scheme	No. Irrigation Rights (ML)	Communities Benefiting
Duck Irrigation Scheme	5,200	Smithton, Montagu, Stanley, Forest
North Esk Irrigation Scheme	2,850	Evandale, Whitehills
Scottsdale Irrigation Scheme	8,600	Scottsdale, Springfield, Bridport
Southern Highlands Irrigation Scheme	7,215	Bothwell, Hollow Tree
Swan Valley Irrigation Scheme	2,000	Cranbrook, Swansea

Mini-hydro stations owned & operated by Tasmanian Irrigation (formerly owned and operated by Tasmanian Irrigation Schemes Pty Ltd)

Mini-hydro Station	Generation Capacity	Location
Meander Mini-hydro Station	1.9 MW	Greater Meander Irrigation Scheme – Meander Dam

Hydro stations owned and operated by Tasmanian Irrigation (developed by Tasmanian Irrigation Pty Ltd)

Hydro Station	Generation Capacity	Location
Midlands Hydro Station	6 MW	Midlands Water Scheme – Floods Creek

Mini-hydro stations under investigation by Tasmanian Irrigation

Mini-hydro Station	Generation Capacity	Location
Scottsdale Mini-hydro Station	2 MW	Scottsdale Irrigation Scheme - Headquarters Road Dam

STRATEGIC DIRECTION

STRATEGIC DIRECTION

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

- prudently and responsibly manage existing irrigation, river improvement and drainage schemes, and seek to transfer the operation and management of schemes to local communities where feasible and appropriate;
- have regard to the Government's obligations under the Council of Australian Governments (COAG) agreements concerning the water industry;
- ensure activities are consistent with the Government's obligations under the National Water Initiative;
- manage financial performance and business risk;
- actively pursue efficiency gains and strategically manage human resources to ensure that the quality and quantity of skills and expertise match the changing needs of the business over time;
- prudently and responsibly manage liabilities associated with deferred payment terms offered to some irrigators;
- ensure that relevant processes and practices are in place to facilitate the establishment of a market for trading water rights; and
- assist the development of privately funded irrigation schemes, on a commercial basis, as directed by the Government.

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

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 the detailed four-year financial forecasts and are supported by non-financial indicators. Tasmanian Irrigation's key performance indicators are displayed in Table 1 and Table 2.

Tasmanian Irrigation does not expect to be in a position 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.

Table 2: Tasmanian Irrigation Key Performance Indicators
Financial

Business Area	Financial Key Performance Indicator	Actual (Est.)				
		2015-2016	2016-2017	Key Performance Targets		
		2017-2018	2018-2019	2019-2020		
Development	Budget Delivery – Schemes Developed Within Budget	n/a	100% (2 out of 2)	100% (2 out of 2)	100% (2 out of 2)	n/a
	Project Prefeasibility Overheads & Administration Costs	\$5.56m	\$6.08m	\$5.51m	\$5.00m	n/a
	Post-Construction Water Sales	\$3.1m (3,531 ML)	\$3.1m (2,389 ML)	\$3.1m (2,389 ML)	\$2.7m (2,215 ML)	\$3.4m (2,711 ML)
Operations	Overheads per ML of Water Entitlement Issued	\$17.94	\$19.27	\$20.45	\$19.69	\$21.01
	Fixed Revenue (exc. Asset Main) /Fixed Expense (%)	117%	100%	100%	100%	100%
	Variable Revenue / Variable Expenses (%)	120%	100%	100%	100%	100%
	Average Debtors Days	51 Days	45 Days	45 Days	45 Days	45 Days
Ownership	Asset Renewal Levy / Asset Renewal Reserve (%)	100%	100%	100%	100%	100%

STRATEGIC DIRECTION CONT.

Table 2: Tasmanian Irrigation Key Performance Indicators cont.

Non-Financial

Business Area	Key Performance Indicator	Actual (Est.)	Key Performance Targets			
		2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Health & Safety	Health & Safety Incidents (Loss Time & Medical Treatment)	Nil	Nil	Nil	Nil	Nil
	Hours of work per Positive Performance Indicator activity	41	40	40	40	40
Environment & Cultural Heritage	Number of significant incidents	Nil	Nil	Nil	Nil	Nil
	Compliance with environmental permits and approvals	100%	100%	100%	100%	100%
Development	Number of Approved Business Cases	2	1	Nil	Nil	Nil
	Number of Schemes in Construction	2	3	3	1	Nil
Operations	Delivery to Order Ratio	95%	95%	95%	95%	95%
	Non-Planned Outages	7	5	5	5	5
	Actions Closed Out in Agreed Timeframe	85%	100%	100%	100%	100%
Ownership	Average Review of Asset Management Plans	3.5 years, with 2 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

BOARD OF DIRECTORS



JOHN LORD, CHAIR

John is experienced in law, chartered accounting, primary industry, private forestry, engineering, governance and irrigation. Originally a solicitor and chartered accountant, John was a partner with KPMG for 25 years, specialising in primary industry, including private forestry. He is chairman of the steel fabricators Crisp Bros and Haywards Group and was chairman of Transend Networks Pty Ltd for 10 years until 2010. For 10 years he was the inaugural chairman of Toosey Limited, a community company formed to take over and re-build an aged care facility at Longford.

John and his wife Diana live on a farm near Longford in Tasmania's central north and are past Australian Forest Growers National Tree Farmers of the Year. Broadly experienced in pastoral and farming management, John also played a role in privatising the management and operation of the Cressy-Longford and Winnaleah irrigation schemes.



ROGER GILL, DEPUTY CHAIR

Roger Gill has a background in civil engineering and has over 35 years' experience in the energy sector, focusing on large infrastructure development. He has a passion for renewable energy and water management and has been engaged in a consulting capacity in promoting sustainable renewable energy development in emerging economies. This work has taken him to Central Asia, South America, the Lower Mekong and African regions.

Roger has strong corporate governance experience through his other roles as a non-executive director of several corporations in Australia related to renewable energy, rail transport and water management. Roger is also vice-president of influential UK-based industry body International Hydropower Association.



GEOFF COFFEY

Geoff has a background in accounting, structured finance and public-private partnerships. He is a former chairman of a \$3 billion Infrastructure trust, Utilities Trust of Australia, and of CEOS Pty Ltd, and a former director of Forestry Tasmania, Pacific Hydro Limited and the Australian Council for Infrastructure Development. Geoff has held senior executive management roles at a number of companies including the engineering and construction business the John Holland Group.

BOARD OF DIRECTORS CONT.



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 from the University of Canberra.

John represents the State Government on a number of boards including the Tasmanian Institute of Agriculture, Royal Tasmanian Botanical Gardens and Tasmanian Irrigation Pty Ltd. He also represents DPIPWE on the Wellington Park Management Trust.

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



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, 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.

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.

A photograph of an industrial facility, likely a water treatment plant. Three workers in high-visibility orange safety gear and hard hats are working with large machinery. One worker in the center is standing near a large orange motor, while another in the foreground is leaning over a similar motor. A third worker is visible on the left, working on a blue motor. A large yellow crane hook is suspended in the air, holding a chain. The background shows a corrugated metal wall and a window. The overall scene is brightly lit, suggesting an indoor or well-lit outdoor environment.

FINANCIAL STATEMENTS

for the financial year
ended 30 June 2016

Tasmanian Irrigation Proprietary Limited

Directors' report

For the year ended 30 June 2016

The directors present their report together with the financial report of Tasmanian Irrigation Proprietary Limited ("the Company") for the financial year ended 30 June 2016 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 independence status	Other directorships
Mr John Lord Chairman Appointed 9/09/2008	Crisp Bros & Haywards Pty Ltd (Chairman)
Mr Roger Gill Deputy Chairman Appointed 9/09/2008	Hydro Focus Pty Ltd Pacific Hydro Pty Ltd Tasmanian Railway Pty Ltd (resigned 1 September 2015)
Mr Geoff Coffey Independent Non-Executive Director Appointed 9/09/2008	Coffey Consulting Services Pty Ltd CEOS Pty Ltd (Chairman) (resigned 23 December 2015) Forestry Tasmania (resigned 27 August 2015)
Mr John Whittington Alternate Non-Executive Director Appointed 11/04/2014 Resigned 31/01/2015 Independent Non-Executive Director Appointed 1/02/2015	Royal Tasmanian Botanic Gardens Wellington Park Management Trust Tasmanian Institute of Agriculture Advisory Board (Chairman)
Mr Peter Michael Chilvers Independent Non-Executive Director Appointed 8/12/2015	Starston Farms Pty Ltd Tasmanian Agricultural Producers Pty Ltd (Chairman) TBC AG Pty Ltd Winburn Tas Pty Ltd

Tasmanian Irrigation Proprietary Limited**Directors' report**

For the year ended 30 June 2016

1. Directors (continued)

The number of directors' Board and Board Committee Meetings and the number attended by each of the directors of the Company during the year ended 30 June 2016 are:

Board Meetings

Director	Meetings attended	Max. No. possible
John Lord	12	12
Roger Gill	12	12
Geoff Coffey	12	12
John Whittington	11	12
Michael Chilvers	5	5

Audit and Compliance Committee

Director	Meetings Attended	Max No possible
Roger Gill (Chairman)	3	3
Geoff Coffey	3	3
Michael Chilvers	1	1

Remuneration Committee

Director	Meetings Attended	Max No possible
John Lord (Chairman)	1	1
Roger Gill	1	1
John Whittington	1	1

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.

Tasmanian Irrigation Proprietary Limited

Directors' report

For the year ended 30 June 2016

3. Operating and financial review

Operations

The Company operated twelve irrigation schemes and owned infrastructure for two locally managed irrigation schemes during the year.

During the financial year the Company commissioned one additional irrigation scheme, the Upper Ringarooma Irrigation Scheme.

Operating result

The Company's operating result is set out on page 4 of the financial report.

The Company's net result was a loss of \$16,617,477 after impairment of non-current assets of \$26,463,100 (2015: loss of \$89,974,403 after impairment of \$135,252,367 of non-current assets).

The construction costs for new irrigation schemes are funded by a combination of State and Federal Government contributions and sale of water entitlements to the public. The accounting treatment of these differ in that Government capital contributions for construction of these schemes are recognised directly in equity, and the sale of water entitlements are recognised as revenue in the statement of profit or loss and other comprehensive income.

In accordance with the Company's accounting policies, assets are reviewed annually for impairment. As a result of this review, an impairment expense of \$26,463,100 (2015: \$135,252,367) has been recognised in the statement of profit or loss and other comprehensive income. The majority of this impairment expense resulted from the commissioning of the Upper Ringarooma Irrigation Scheme. This impairment is required due to the proportion of assets funded by Government equity not generating any further cash inflows for the Company, together with the pricing of water charges to the irrigators being based on a cost recovery model.

The reported loss for the financial year is predominately due to the recognition directly to equity of the Government contributions to the construction of irrigation schemes, 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. The result of the Company's operations, excluding the sale of water entitlements and the impairment of non-current assets, was a surplus of \$2,005,983 (2015: surplus of \$1,299,198). This is reconciled to the following amounts in the annual financial report:

	Note	30 June 2016	30 June 2015
Loss for the year		(16,617,477)	(89,974,403)
Revenue from sale of water entitlements	B2	(7,839,640)	(34,918,766)
Revenue from capital grants (Dial Blythe Irrigation Scheme)		-	(9,060,000)
Impairment expense for non-current assets	B5	26,463,100	135,252,367
Surplus, excluding sale of water entitlements and impairment of non-current assets		2,005,983	1,299,198

Tasmanian Irrigation Proprietary Limited

Directors' report

For the year ended 30 June 2016

3. Operating and financial review (continued)

Business strategies and prospects

The Company has come to the end of its Tranche One construction program, with the Upper Ringarooma Irrigation Scheme completing commissioning in August 2015.

The Company has received confirmation of an additional \$90 million (\$30 million State Government, \$60 Federal Government) in funding to further progress five irrigation schemes around the State. The Company has awarded contracts for the construction of the Southern Highlands Irrigation Scheme and the Swan Valley Irrigation Scheme. The three remaining schemes have completed a land owner water sale process, with both the Duck Irrigation Scheme and North Esk Irrigation Scheme being fully subscribed, and the Scottsdale Irrigation Scheme exceeding its water sales threshold.

4. Environmental regulations

The Company's operations are subject to the *Environmental Management and Pollutions Control Act 1994*, *Land Use Planning and Approvals Act 1993*, *Water Management Act 2000*, *Threatened Species Protection Act 1995*, *Historical Cultural Heritage Act 1995*, *Aboriginal Relics Act 1975* and the *Environmental Protection and Biodiversity Conservation Act 1999*.

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

5. Dividends

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

6. Events subsequent to reporting date

There were no significant events subsequent to reporting date.

7. Directors' interests

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

8. Indemnification and insurance of officers

During the year, the Company paid a premium in respect of a contract insuring the 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 contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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.

Tasmanian Irrigation Proprietary Limited
Directors' report
For the year ended 30 June 2016

9. Auditor's independence declaration

The Auditor's independence declaration forms part of the directors' report for the financial year ended 30 June 2016.



John Lord - Chairman

Dated at Loughford this 10th day of August 2016.



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

17 August 2016

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

Dear Board Members

Auditor's Independence Declaration

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

As the auditor of the financial report of Tasmanian Irrigation Pty Ltd for the financial year ended 30 June 2016, 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 "Jara K Dean".

Jara K Dean
**Assistant Auditor-General Financial Audit
Delegate of the Auditor-General**

30

...1 of 1

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

Annual Report 2015/16

Tasmanian Irrigation Proprietary Limited

Directors' declaration

1. In the opinion of the directors of Tasmanian Irrigation Proprietary Limited ('the Company'):
 - (a) the financial statements and notes that are set out on pages 3 to 39 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 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (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.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the General Manager – Corporate Services for the financial year ended 30 June 2016.
3. 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 Launceston this 10th day of August 2016.



John Lord
Chairman



Independent Auditor's Report

To the Members of Tasmanian Irrigation Pty Ltd

Financial Report for the Year Ended 30 June 2016

Report on the Financial Report

I have audited the accompanying financial report of Tasmanian Irrigation Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2016 and the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

Auditor's Opinion

In my opinion:

- (a) the Company's financial report is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 30 June 2016 and its financial performance for the year ended on that date
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note A2(a).

The Responsibility 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*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note A2(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

...1 of 2

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Directors' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. The *Audit Act 2008* promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

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

Tasmanian Audit Office



Jara K Dean
Assistant Auditor-General Financial Audit
Delegate of the Auditor-General

Hobart
17 August 2016

...2 of 2

Contents

Directors' declaration
Statement of financial position
Statement of profit or loss and other comprehensive income
Statement of changes in equity
Statement of cash flows
Index to notes to the financial statements
Notes to the financial statements

Tasmanian Irrigation Proprietary Limited
Statement of financial position
As at 30 June 2016

	Note	30 June 2016	30 June 2015
Assets			
Cash and cash equivalents	C1	11,501,797	12,356,772
Trade and other receivables	C2	6,500,889	6,745,356
Inventories	C3	218,074	224,376
Prepayments		294,307	229,798
Other financial assets	F2	584,514	595,294
Total current assets		19,099,581	20,151,596
Other financial assets	F2	1,099,178	1,792,745
Property, plant and equipment	B5	43,137,664	59,264,063
Other assets	F3	920,818	961,417
Total non-current assets		45,157,660	62,018,225
Total assets		64,257,241	82,169,821
Liabilities			
Trade and other payables	C4	5,858,388	6,006,389
Loans and borrowings	E1	21,398,186	15,287,228
Provisions	D1	583,728	407,182
Deferred income	C5	8,030,918	11,017,188
Unearned revenue	C6	1,724,639	2,133,997
Total current liabilities		37,595,859	34,851,984
Loans and borrowings	E1	4,067,515	15,715,701
Provisions	D1	513,418	404,210
Total non-current liabilities		4,580,933	16,119,911
Total liabilities		42,176,792	50,971,895
Net assets		22,080,449	31,197,926
Equity			
Share capital	E3	169,321,192	161,821,192
Retained earnings/(accumulated losses)		(147,240,743)	(130,623,266)
Total equity		22,080,449	31,197,926

The notes on pages 8 to 39 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 2016

	Note	2016	2015
Continuing operations			
Revenue	B2	19,736,464	41,861,613
Government contributions	B2	5,127,216	15,247,182
Other income	B2	1,111,553	898,617
Finance income	B2	83,276	228,564
		26,058,509	58,235,976
Depreciation and amortisation	B5	(803,213)	(693,702)
Employee benefits	B3	(4,008,426)	(4,156,162)
Impairment expense current assets		18,246	(58,223)
Impairment expense non-current assets	B5	(26,463,100)	(135,252,367)
Operations and maintenance expenses	B3	(8,497,818)	(4,644,422)
Administrative expenses	B3	(1,328,971)	(1,262,096)
Finance costs	E2	(1,592,704)	(2,143,407)
Loss from continuing operations		(16,617,477)	(89,974,403)
Tax (expense) benefit	B4	-	-
Profit (loss) for the year after tax before comprehensive income		(16,617,477)	(89,974,403)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive profit (loss) for the year		(16,617,477)	(89,974,403)

The notes on pages 8 to 39 are an integral part of these financial statements.

Tasmanian Irrigation Proprietary Limited

Statement of changes in equity

For the year ended 30 June 2016

<u>Attributable to owners of the Company</u>			
<i>Note</i>	Share capital	Retained earnings (losses)	Total equity
Balance at 1 July 2014	143,142,892	(40,648,863)	102,494,029
Total comprehensive income for the year			
Profit or loss	-	(89,974,403)	(89,974,403)
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	(89,974,403)	(89,974,403)
Transactions with owners, recorded directly in equity			
Capital contributions from Government	<i>E3</i> 18,678,300	-	18,678,300
Total contributions by and distributions to owners of the Company	18,678,300	-	18,678,300
Transfers between equity components			
Transfer between reserves	-	-	-
Total transfer between equity components	-	-	-
Balance at 30 June 2015	161,821,192	(130,623,266)	31,197,926
Total comprehensive income for the year			
Profit or loss	-	(16,617,477)	(16,617,477)
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	(16,617,477)	(16,617,477)
Transactions with owners, recorded directly in equity			
Capital contributions from Government	<i>E3</i> 7,500,000	-	7,500,000
Total contributions by and distributions to owners of the Company	-	-	-
Transfers between equity components			
Transfer between reserves	-	-	-
Total transfer between equity components	-	-	-
Balance at 30 June 2016	169,321,192	(147,240,743)	22,080,449

The notes on pages 8 to 39 are an integral part of these financial statement

Tasmanian Irrigation Proprietary Limited**Statement of cash flows****For the year ended 30 June 2016**

	Note	2016	2015
Cash flows from operating activities			
Cash receipts from customers		11,572,389	2,981,362
Cash receipts from Government grants		1,199,580	1,715,471
Cash paid to suppliers and employees		(13,836,947)	(9,587,722)
Cash generated from (used in) operations		(1,064,978)	(4,890,889)
Interest received		83,276	228,564
Payment of interest on borrowings		(1,592,704)	(2,143,407)
Net cash from (used in) operating activities	C1	(2,574,406)	(6,805,732)
Cash flows from investing activities			
Cash receipts from water entitlements		10,376,185	27,125,822
Contributions from Government for capital projects		1,412,000	4,942,000
Proceeds from sale of property, plant and equipment		81,828	129,425
Payments for property, plant and equipment		(12,153,953)	(44,365,375)
Proceeds from investments		40,599	27,355
Net cash used in investing activities		(243,341)	(12,140,773)
Cash flows from financing activities			
Capital contributions from Government		7,500,000	22,033,949
Repayment of borrowings		(5,537,228)	(183,840)
Net cash from financing activities		1,962,772	21,850,109
Net decrease in cash and cash equivalents		(854,975)	2,903,604
Cash and cash equivalents at 1 July		12,356,772	9,453,168
Cash and cash equivalents at 30 June	C1	11,501,797	12,356,772

The notes on pages 8 to 39 are an integral part of these financial statements.

Tasmanian Irrigation Proprietary Limited

Index to notes to the financial statements

	Page		Page
A		About this report	
A1	8	A3	9
A2	8	A4	9
B		Business performance	
B1	11	B4	16
B2	13	B5	19
B3	15		
C		Operating assets and liabilities	
C1	23	C4	25
C2	24	C5	25
C3	24	C6	27
D		Employee benefits	
D1	28	D2	28
E		Capital structuring and financing	
E1	33	E3	33
E2	33	E4	34
F		Other	
F1	38	F4	39
F2	39	F5	39
F3	39		

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 principal purpose is to develop, own and operate irrigation schemes in Tasmania and, 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.

The core business of the Company is to:

- investigate and report on the viability of potential irrigation projects, to ensure that the Government makes the best use of limited financial and water resources;
- undertake irrigation related development work as directed by Government;
- administer relevant existing irrigation, river improvement and drainage schemes;
- provide, on a cost recovery basis at a minimum, administrative and management support to schemes owned by the Company and managed by local communities;
- maintain water rights registers for each scheme and maintain and report relevant water use information in accordance with legislative and policy requirements;
- market water entitlements to landholders and the broader market;
- retain ownership of irrigation scheme infrastructure and manage it appropriately;
- own and operate mini hydro power stations where approved as part of an irrigation scheme business plan;
- monitor and manage compliance with the licences and permits that apply to Company schemes; and
- monitor, manage and enforce the by-laws created for the irrigation districts.

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 10 August 2016.

(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.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

A2 Basis of preparation (continued)

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note B5 – impairment of property, plant and equipment.

A3 Government dependency

The Company receives contributions from the State Government to support its annual operating expenditure. These contributions include support for the expenditure associated with the investigation and development of irrigation schemes. In previous years, this contribution from the State Government has been received as an operating grant. However, from July 2016 onwards, this contribution will be received as an equity contribution. In addition, the Company receives contributions from the State and Federal Government towards the construction of approved capital projects.

During the year the Company received \$8,699,580 (2015: \$28,691,420) of which \$7,500,000 (2015: \$26,975,949) represented contributions to capital projects and \$1,199,580 (2015: \$1,715,471) 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.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

A4 Significant accounting policies (continued)

(i) Measurement of fair values (continued)

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

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

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

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values of financial instruments is included in note E4.

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
- B2. Revenue and other income
- B3. Expenses
- B4. Taxation
- B5. Property, plant and equipment

B1 Operating segments

Identification of reportable segments

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

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

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

Development - The Company has been instructed by the State Government to investigate and progress a suite of irrigation schemes around Tasmania. To date the Company has constructed the following schemes; Whitemore Irrigation Scheme, Great Forester Irrigation Scheme, Sassafras Wesley Vale Irrigation Scheme, Winnaleah Irrigation Scheme Augmentation, Lower South Esk Irrigation Scheme, Kindred North Motton Irrigation Scheme, Midlands Water Scheme, Dial Blythe Irrigation Scheme, South East Stage 3 Irrigation Scheme and Upper Ringarooma Irrigation Scheme. These schemes complete the tranche one suite of projects.

The Company has received confirmation of an additional \$90 million (\$30 million State Government, \$60 Federal Government) in funding to further progress five irrigation schemes around the State. The Company has awarded contracts for the construction of the Southern Highlands Irrigation Scheme and the Swan Valley Irrigation Scheme. The three remaining schemes have completed a landowner water sales process, with both the Duck Irrigation Scheme and North Esk Irrigation Scheme being fully subscribed, and the Scottsdale Irrigation Scheme exceeding its water sales threshold.

Losses in the Development segment of the Company largely relate to impairment. For all projects, except for the Dial Blythe Irrigation Scheme, Government contributions have been recognised directly to equity, whereas the sale of water entitlements and impairment expenses are recognised in the statement of profit or loss and other comprehensive income. For the Dial Blythe Irrigation Scheme, the Federal Government component was funded under an alternate funding program and was directly recognised in the statement of profit or loss and other comprehensive income upon the commissioning of the scheme.

Operations – The Company manages the operations of ten irrigation schemes, owns the infrastructure of two locally managed irrigation schemes, as well as manages a water delivery scheme, some drainage and river improvement schemes and two standalone dams. The Company operates the irrigation schemes under a cost recovery model.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B1 Operating segments (continued)

Identification of reportable segments (continued)

Mini hydros - The Company operates the 2MW mini hydroelectricity power station at Meander Dam and a 6MW mini hydroelectricity power station as part of the Midlands Water Scheme.

Information related to each reportable segment is set out below.

Year ended 30 June 2016

	Development	Operations	Mini-hydros	Total
External revenue	14,176,265	6,935,984	4,946,260	26,058,509
Inter-segment revenue	-	-	-	-
Segment revenue	14,176,265	6,935,984	4,946,260	26,058,509
Segment profit/(loss) before tax	(18,559,520)	1,236,252	705,791	(16,617,477)
Interest income	377,787	42,669	-	420,456
Prior year reallocation	-	(159,282)	-	(159,282)
Total interest income	377,787	(116,613)	-	261,174
Interest expense	(1,426,670)	(3,018)	(163,016)	(1,592,704)
Depreciation and amortisation	(705,077)	(25,525)	(72,611)	(803,213)
Other material non-cash items:				
- impairment of property, plant and equipment	(26,463,100)	-	-	(26,463,100)
Segment assets	49,177,484	9,638,158	5,441,599	64,257,241
Capital expenditure	(11,161,060)	-	-	(11,161,060)
Segment liabilities	(33,900,461)	(66,199,323)	(2,077,008)	(42,176,792)

Year ended 30 June 2015

	Development	Operations	Mini-hydros	Total
External revenue	51,341,281	4,535,065	2,359,630	58,235,976
Inter-segment revenue	-	-	-	-
Segment revenue	51,341,281	4,535,065	2,359,630	58,235,976
Segment profit/(loss) before tax	(90,581,010)	149,836	456,771	(89,974,403)
Interest income	423,667	36,866	-	460,533
Interest expense	(1,960,654)	(2,973)	(179,780)	(2,143,407)
Depreciation and amortisation	(601,945)	(19,146)	(72,611)	(693,702)
Other material non-cash items:				
- impairment of property, plant and equipment	(134,858,017)	(394,350)	-	(135,252,367)
Segment assets	71,436,349	5,750,878	4,982,593	82,169,820
Capital expenditure	40,513,487	-	-	40,513,487
Segment liabilities	(45,099,806)	(3,548,296)	(2,323,793)	(50,971,895)

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B2 Revenue and other income

	2016	2015
Revenue		
Irrigation water charges	6,821,753	4,359,781
Renewable energy generation		
Electricity generation	1,740,898	969,598
Renewable energy certificates	3,148,180	1,373,679
	4,889,078	2,343,277
	11,710,831	6,942,847
Water entitlement revenue		
Greater Meander Irrigation Scheme	583,138	238,400
Upper Ringarooma Irrigation Scheme	4,818,000	-
Whitemore Irrigation Scheme	120,000	-
Kindred North Motton Irrigation Scheme	133,200	186,000
South-East Irrigation Scheme Stage 3	459,843	6,304,500
Great Forester Irrigation Scheme	111,600	42,000
Dial Blythe Irrigation Scheme	666,000	2,352,000
Midlands Water Scheme	589,059	25,175,766
Winnaleah Augmentation	358,800	620,100
	7,839,640	34,918,766
Interest revenue from operations		
Greater Meander Irrigation Scheme 5 year fixed plans	379	12,186
Greater Meander Irrigation Scheme 10 year fixed plans	185,614	227,603
	185,993	239,789
Total revenue	19,736,464	41,861,613
Government grants		
Grants received for operational funding	5,127,216	15,247,182
	5,217,216	15,247,182
Finance income		
Interest	75,181	220,744
Late fees	8,095	7,820
	83,276	228,564
Other income		
Asset renewal levy	31,473	143,118
Gain on sale of non-current assets	60,683	-
Reimbursement of 3 rd party expenditure	497,757	315,336
External services	251,299	4,880
Other	270,341	435,283
	1,111,553	898,617

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 goods and services are recognised when goods or services are provided.

(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 sold in accordance with forward contracts where possible. The Company preference is for market price risk to be mitigated by having such forward contracts in place, however during the year the Company did take advantage of the very high spot price for one sale where the benefit outweighed the risk of carrying the certificates.

(iii) Water entitlement revenue

Water entitlement income is recognised when settlement of the purchase contract occurs.

(iv) Interest revenue from operations and finance income

Interest revenue from operations comprises interest income on loans provided for the acquisition of water entitlement. 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 grants are assistance provided by the Government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. Government grants include assistance where there are no conditions specifically relating to the operating activities of the Company other than the requirement to operate in certain regions or industry sectors.

Where the substantial purpose of Government funding 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 other income on a systematic basis in the same periods in which the expenses are recognised.

(vi) Asset renewal levy

Asset renewal levies are collected from water entitlement holders for all irrigation schemes. The asset renewal levy is invoiced annually and is initially recognised in deferred income at fair value at the point of invoicing. Revenue is recognised in profit and loss for expenses incurred for asset renewal undertakings on a systematic basis in the same periods in which the expenditure has occurred.

(vii) Gain on sale of non-current assets

Revenue from 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	2016	2015
Employee benefits			
Salaries and wages		4,439,215	4,404,561
Salaries allocated to operations and external services		(1,191,112)	(544,466)
Salaries and wages capitalised		(649,723)	(1,058,688)
Other employee entitlements		953,898	896,077
Superannuation		456,148	458,678
		4,008,426	4,156,162
Operations and maintenance expenses			
Contractors and consultants		2,006,974	1,044,684
Maintenance		581,835	310,803
Water purchases		3,138,107	1,398,181
Power charges		1,553,094	719,248
Rates, land tax and insurances		349,335	196,464
Other operations and maintenance expenses		868,473	789,845
Loss on sale of non-current assets		-	185,197
		8,497,818	4,644,422
Administration expenses			
External Audit fees		44,110	37,981
Internal Audit fees		9,421	7,500
Advertising and promotion		54,269	98,239
Printing and publications		-	4,144
Travel expenses *		122,074	134,410
Information technology and communication expenses		439,496	352,053
Training and professional development		162,347	129,881
Rental expenses		144,039	82,663
Other administration expenses		353,215	415,225
		1,328,971	1,262,096

* Includes \$10,903 of Board approved overseas travel incurred by the CEO on 1 overseas trip during the year. In 2015, there was \$26,088 of Board approved travel incurred by the CEO on 2 separate overseas trips and 1 overseas trip by the Engineering Manager.

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.

(i) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

	2016	2015
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	(10,689,662)	(5,381,626)
Increase (decrease) in deferred tax liability	5,704,419	(21,610,695)
Tax benefits not recognised	4,899,608	26,992,321
Adjustment for prior years	85,635	-
Net income tax expense attributable to continuing operations	-	-
	-	-
Total tax expense	-	-
Attributable to:		
Continuing operations	-	-
	-	-

Numerical reconciliation between tax expense and pre-tax net profit

	2016	2015
Profit from operations	(16,617,477)	(89,974,403)
Income tax expense calculated at 30%	(4,985,243)	(26,992,321)
Adjustment for prior years	85,635	-
Tax benefit not recognised	4,899,608	26,992,321
Income tax expense	-	-

Unrecognised deferred tax assets

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

	2016	2015
(Assessable) deductible temporary differences	(5,288,266)	1,671,239
Tax losses	48,659,461	36,800,348
	43,371,195	38,471,587

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 2015	Recognised in profit or loss	Tax benefit derecognised	Balance 30 June 2016	Opening balance not recognised 1 July 2015	Current year movement not recognised	Total tax benefit derecognised at 30 June 2016
Property, plant and equipment	-	(6,986,678)	6,986,678	-	1,286,060	(6,986,678)	(5,700,618)
Trade and other receivables	-	(5,474)	5,474	-	42,975	(5,474)	37,501
Inventories	-	3,801	(3,801)	-	(38,732)	3,801	(34,931)
Provisions	-	85,725	(85,725)	-	243,419	85,725	329,144
Other items	-	(56,879)	56,879	-	137,517	(56,879)	80,638
Tax loss carry-forwards	-	11,859,113	(11,859,113)	-	36,800,348	11,859,113	48,659,461
	-	4,899,608	(4,899,608)	-	38,471,587	4,899,608	43,371,195

	Balance 1 July 2014	Recognised in profit or loss	Tax benefit derecognised	Balance 30 June 2015	Opening balance not recognised 1 July 2014	Current year movement not recognised	Total tax benefit derecognised at 30 June 2015
Property, plant and equipment	-	21,588,263	(21,588,263)	-	(20,302,203)	21,588,263	1,286,060
Trade and other receivables	-	17,467	(17,467)	-	25,508	17,467	42,975
Inventories	-	22,431	(22,431)	-	(61,163)	22,431	(38,732)
Provisions	-	37,484	(37,484)	-	205,935	37,484	243,419
Other items	-	32,573	(32,573)	-	104,944	32,573	137,517
Tax loss carry-forwards	-	5,294,103	(5,294,103)	-	31,506,245	5,294,103	36,800,348
	-	26,992,321	(26,992,321)	-	11,479,266	26,992,321	38,471,587

Recognition and measurement

(i) Current and deferred tax

The Company is subject to the National Tax Equivalent Regime under instructions from the Treasurer of the State of Tasmania, 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, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B4 Taxation (continued)

Recognition and measurement (continued)

(i) Current and deferred tax (continued)

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

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

Tasmanian Irrigation 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 2014		337,823	35,114,546	187,510,382	1,543,244	224,505,995
Transfer between asset classes		-	-	(101,203)	101,203	-
Additions (i)		-	9,955,536	30,250,018	307,933	40,513,487
Disposals		(202,051)	-	-	(112,775)	(314,826)
Balance at 30 June 2015		135,772	45,070,082	217,659,197	1,839,605	264,704,656
Balance at 1 July 2015		135,772	45,070,082	217,659,197	1,839,605	264,704,656
Transfer between asset classes		-	14,901,854	(14,901,854)	-	-
Additions (i)		-	-	10,822,677	338,383	11,161,060
Disposals		-	-	-	(196,428)	(196,428)
Balance at 30 June 2016		135,772	59,971,936	213,580,020	1,981,560	275,669,288
Depreciation and impairment losses						
Balance at 1 July 2014		(110,000)	(24,263,840)	(44,366,199)	(855,026)	(69,595,065)
Depreciation for the year		-	(127,470)	(338,502)	(227,730)	(693,702)
Impairment loss (ii)		(90)	(10,960,436)	(124,291,841)	-	(135,252,367)
Disposals		-	(1,538,239)	1,538,576	100,204	100,541
Balance at 30 June 2015		(110,090)	(36,889,985)	(167,457,966)	(982,552)	(205,440,593)
Balance at 1 July 2015		(110,090)	(36,889,985)	(167,457,966)	(982,552)	(205,440,593)
Transfer between asset classes		-	-	-	-	-
Depreciation for the year		-	(102,206)	(444,784)	(256,223)	(803,213)
Impairment loss (ii)		-	(14,509,796)	(11,953,304)	-	(26,463,100)
Disposals		-	-	-	175,282	175,282
Balance at 30 June 2016		(110,090)	(51,501,987)	(179,856,054)	(1,063,493)	(232,531,624)
Carrying amounts						
at 1 July 2014		227,823	10,850,706	143,144,183	688,218	154,910,930
at 30 June 2015		25,682	8,180,097	50,201,231	857,053	59,264,063
at 30 June 2016		25,682	8,469,949	33,678,466	963,567	43,137,664

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.

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.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B5 Property, plant and equipment (continued)

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

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 on the basis of an independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income, as appropriate. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

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.

(i) Additions

The additions to property, plant and equipment relate to:

	2016	2015
Work in progress - Midlands Water Scheme	415,684	6,519,171
Work in progress – Whitemore Irrigation Scheme	5,250	-
Work in progress - South East Irrigation Scheme Stage 3	2,558	14,135,401
Work in progress - Upper Ringarooma Irrigation Scheme	603,979	9,157,933
Work in progress - Dial Blythe Irrigation Scheme	-	9,520,844
Work in progress - Great Forester Irrigation Scheme	-	6,104
Work in progress - Scottsdale Irrigation Scheme	311,153	116,564
Work in progress - Southern Highlands Irrigation Scheme	7,440,152	274,873
Work in progress – Greater Meander Irrigation Scheme	-	94,271
Work in progress - Duck Irrigation Scheme	700,554	146,548
Work in progress - North Esk Irrigation Scheme	307,874	66,956
Work in progress - Swan Valley Irrigation Scheme	1,035,473	187,167
Other assets	338,383	287,655
	11,161,060	40,513,487

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

B5 Property, plant and equipment (continued)

(ii) Impairment loss

Impairment expense for the year ended 30 June 2016

During the year ended 30 June 2016, the Upper Ringarooma Irrigation Scheme was commissioned. At this point, the Company has assessed the recoverable amount of the schemes in accordance with the accounting policy noted above.

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 recoverable amount, the carrying amount of the scheme was determined to be higher than its recoverable amount, and an impairment loss was recognised.

The impairment loss is recognised as impairment expense in the statement of profit or 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).

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

	30 June 2016			30 June 2015		
	Government contributions	Sale of water entitlements and other revenue	Total	Government contributions	Sale of water entitlements and other revenue	Total
Upper Ringarooma Irrigation Scheme	21,166,960	3,797,868	24,964,828	-	-	-
Great Forester Irrigation Scheme	2,124,000	3,996,452	6,120,452	2,124,000	3,919,550	6,043,550
Sassafras Wesley Vale Irrigation Scheme	6,114,000	5,715,429	11,829,429	6,114,000	5,714,320	11,828,320
Whitemore Irrigation Scheme	5,050,000	4,939,694	9,989,694	5,050,000	4,867,962	9,917,962
Winnaleah Irrigation Scheme Augmentation	6,491,624	4,345,334	10,836,958	6,491,624	4,050,512	10,542,136
Meander Valley Irrigation Scheme *	-	6,865,833	6,865,833	-	6,482,161	6,482,161
Lower South Esk Irrigation Scheme	8,814,272	5,883,061	14,697,333	8,814,272	5,883,061	14,697,333
Kindred North Motton Irrigation Scheme	7,606,673	2,526,438	10,133,111	7,606,673	2,526,438	10,133,111
Dial Blythe Irrigation Scheme	11,061,295	2,417,756	13,479,051	11,014,187	2,190,986	13,205,173
South East Irrigation Scheme (Stage 3)	25,417,508	5,230,448	30,647,956	25,417,508	4,853,844	30,271,352
Midlands Water Scheme	65,487,723	23,821,858	89,309,581	65,487,723	23,821,858	89,309,581
Togari, Montagu and Rileys Creek Schemes *	-	220,198	220,198	-	200,904	200,904
	159,334,055	70,079,273	229,094,424	138,119,987	64,511,596	202,631,583

* 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:

	2016	2015
Upper Ringarooma Irrigation Scheme	1,770,396	-
Great Forester Irrigation Scheme	22,497	101,911
Sassafras Wesley Vale Irrigation Scheme	21,061	23,767
Whitemore Irrigation Scheme	1,477,705	1,575,615
Winnaleah Irrigation Scheme Augmentation	14,065	313,244
Meander Valley Irrigation Scheme	9,653,398	10,138,454
Kindred North Motton Irrigation Scheme	362,980	371,549
Dial Blythe Irrigation Scheme	386,391	672,454
South East Irrigation Scheme (Stage 3)	1,213,100	1,607,046
Midlands Water Scheme	3,916,384	3,963,324
Togari, Montagu and Rileys Creek Schemes	359,080	382,619
	19,197,057	19,149,983

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
- C2. Receivables
- C3. Inventories
- C4. Payables
- C5. Deferred revenue
- C6. Unearned revenue

C1 Cash and cash equivalents

	2016	2015
Bank balances	11,107,433	11,997,018
Term deposits	-	-
Short-term investments		
Investments at call with Tascorp	394,364	359,754
Cash and cash equivalents in the statement of cash flows	11,501,797	12,356,772

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.

The reconciliation of the profit/(loss) for the period and net cash used in operating activities is as follows:

	2016	2015
Cash flows from operating activities		
Profit (loss) for the period	(16,617,477)	(89,974,403)
Adjustments for:		
Depreciation and amortisation	803,213	693,702
Impairment of current assets	(18,246)	58,223
Impairment of non-current assets	26,463,100	135,252,367
Proceeds from sales of water entitlements recognised as investing activities	(10,376,185)	(26,256,678)
Grant funding recognised as investing activities	(1,412,000)	(4,942,000)
Grant income reallocated to equity funding	-	(3,355,649)
(Gain) loss on sale of non-current assets	(60,683)	185,197
	(1,218,278)	11,660,759
Change in trade and other receivables	262,714	(4,893,116)
Change in prepayments	(64,510)	82,186
Change in inventories	6,302	(20,503)
Change in other assets	704,347	(445,069)
Change in trade and other payables	893,806	(355,084)
Change in provisions and employee benefits	236,841	173,858
Change in deferred income	(2,986,270)	(4,966,775)
Change in unearned revenue	(409,358)	(8,041,988)
Net cash used in operating activities	(2,574,406)	(6,805,732)

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

C2 Receivables

	2016	2015
Trade receivables (i)	2,713,742	5,589,614
Impairment of trade receivables	(125,008)	(143,254)
Goods and services tax receivable	601,577	-
Accrued income	3,310,578	1,298,996
	<u>6,500,889</u>	<u>6,745,356</u>
Non-current	-	-
Current	6,500,889	6,745,356
	<u>6,500,889</u>	<u>6,745,356</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.

	2016	2015
Ageing of past due but not impaired		
31 - 60 days	51,135	2,523,761
60+ days	808,509	811,187
	<u>859,644</u>	<u>3,334,948</u>
Movement in the allowance for impairment		
Balance at the beginning of the year	(143,254)	(85,031)
Impairment losses recognised on receivables	(94,962)	(71,014)
Reversal of impairment recognised on recovered receivables	54,397	12,791
Impaired receivables written-off during year	58,811	-
Balance at the end of the year	<u>(125,008)</u>	<u>(143,254)</u>

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

	2016	2015
Water stock on hand		
Milford Dam	109,745	82,070
Daisy Banks Dam	37,550	38,273
Rekuna Dam	29,547	-
South Riana Dam	1,556	-
Dunns Creek Dam	5,131	-
Huntsman Lake - Meander Valley Irrigation Scheme	-	59,473
Floods Creek	-	17
Sprent Dam	-	517
Liffey Holding Dam	-	53
Craigbourne Dam	-	22,566
Great Bend Reservoir	-	7
Headquarters Road Dam	-	21,400
	<u>183,529</u>	<u>224,376</u>
Trading stock	34,545	-
	<u>218,074</u>	<u>224,376</u>

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

C3 Inventories (continued)

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

	2016	2015
Trade payables	291,828	458,058
Accrued expenses	5,410,882	5,389,650
Interest payable	155,678	144,019
Goods and services tax payable	-	14,662
	5,858,388	6,006,389

C5 Deferred revenue

(i) Deferred income

	Note	2016	2015
Interest cover - Midlands Water Scheme		6,890,000	6,890,000
Interest cover - Kindred North Motton Irrigation Scheme		680,000	680,000
Less revenue released		(1,444,275)	(1,089,989)
		6,125,725	6,480,011
Operational grants		(1,084,925)	2,395,424
Asset renewal levies	C5(ii) & (iii)	2,781,142	1,738,775
Project contributions - Farm Water Access Plans		191,976	292,978
Government contributions - Farm Water Access Plans		17,000	110,000
		8,030,918	11,017,188

(ii) Asset renewal levies – componential breakdown

	Note	2016	2015
Cash held - scheme accounts		2,647,887	1,686,309
Outstanding debtors		18,598	81,317
Accrued ARL income current year		51,103	55,395
Other		63,554	(84,246)
		2,781,142	1,738,775

(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.

C5 Deferred revenue (continued)

(iii) Asset renewal levies – by scheme (continued)

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

30 June 2016

	Opening balance	Revenue	Expenditure	Movement	Closing balance
Great Forester Irrigation Scheme	27,320	10,195	-	10,195	37,515
Sassafras Wesley Vale Irrigation Scheme	186,304	69,993	(7,388)	62,605	248,909
Whitemore Irrigation Scheme	135,867	51,595	(4,939)	46,656	182,523
Cressy Longford Irrigation Scheme	344,846	89,404	-	89,404	434,250
Winnaleah Irrigation Scheme	459,758	113,301	-	113,301	573,059
South East Irrigation Scheme (Stages 1-3)	89,524	194,237	(10,712)	183,525	273,049
Kindred North Motton Irrigation Scheme	72,296	53,305	-	53,305	125,601
Greater Meander Irrigation Scheme	118,285	68,285	(5,235)	63,050	181,335
Midlands Water Scheme	236,762	252,893	(3,200)	249,693	486,455
Lower South Esk Irrigation Scheme	67,813	36,631	-	36,631	104,444
Upper Ringarooma Irrigation Scheme	-	79,261	-	79,261	79,261
Dial Blythe Irrigation Scheme	-	54,741	-	54,741	54,741
	1,738,775	1,073,841	(31,474)	1,042,367	2,781,142

30 June 2015

	Opening balance	Revenue	Expenditure	Movement	Closing balance
Great Forester Irrigation Scheme	19,359	7,961	-	7,961	27,320
Sassafras Wesley Vale Irrigation Scheme	145,992	50,706	(10,394)	40,312	186,304
Whitemore Irrigation Scheme	100,618	35,249	-	35,249	135,867
Cressy Longford Irrigation Scheme	323,782	21,064	-	21,064	344,846
Winnaleah Irrigation Scheme	408,525	51,233	-	51,233	459,758
South East Irrigation Scheme (Stages 1-2)	140,277	74,069	(124,822)	(50,753)	89,524
Kindred North Motton Irrigation Scheme	30,220	42,076	-	42,076	72,296
Greater Meander Irrigation Scheme	82,712	43,473	(7,900)	35,573	118,285
Midlands Water Scheme	-	236,762	-	236,762	236,762
Lower South Esk Irrigation Scheme	33,483	34,330	-	34,330	67,813
	1,284,968	596,923	(143,116)	453,807	1,738,775

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

C6 Unearned revenue

	2016	2015
Water entitlement deposits	1,724,639	2,133,997
	<u>1,724,639</u>	<u>2,133,997</u>

Recognition and measurement

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

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

Section D – Employee benefits

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

- D1. Employee benefits
- D2. Key management personnel

D1 Employee benefits

	2016	2015
Current liabilities		
Employee benefits	583,728	407,182
	<u>583,728</u>	<u>407,182</u>
Non-current liabilities		
Employee benefits	513,418	404,210
	<u>513,418</u>	<u>404,210</u>

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:

	2016	2015
Short-term employee benefits	1,181,240	1,219,049
Post-employment benefits	109,644	111,116
Other long-term benefits	-	-
Termination benefits	-	-
	<u>1,290,884</u>	<u>1,330,165</u>

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

D2 Key management personnel (continued)

Director remuneration

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

Year ended 30 June 2016

	Director's fees	Committee fees	Superannuation ¹	Other	Total 2015/16
John Lord Chairperson	96,000	-	9,120	-	105,120
Roger Gill Deputy Chairperson	62,000	-	5,890	-	67,890
Geoff Coffey	52,000	-	4,940	-	56,940
Michael Chilvers (from 8 December 2015)	29,600	-	2,812	-	32,412
John Whittington	-	-	-	-	-
Total	239,600	-	22,762		262,362

Year ended 30 June 2015

	Director's fees	Committee fees	Superannuation ¹	Other	Total 2014/15
John Lord Chairperson	96,000	-	9,120	-	105,120
Roger Gill Deputy Chairperson	62,000	-	5,890	-	67,890
Geoff Coffey	52,000	-	4,940	-	56,940
Michele Allan (to 31 May 2015)	47,667	-	4,528	-	52,195
Kim Evans (to 12 February 2015)	-	-	-	-	-
John Whittington (from 1 February 2015)	-	-	-	-	-
Total	257,667	-	24,478	-	282,145

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

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

D2 Key management personnel (continued)

Executive remuneration

The following tables disclose the remuneration details in bands for each person that acted as a senior executive during the current and previous two financial years:

Year ended 30 June 2016

	Salary ¹	Short term incentives ²	Termination benefits ³	Superannuation ⁴	Vehicles ⁵	Other benefits ⁶	Other non-monetary benefits ⁷	Total 2015/16
Nicola Morris CEO (from 1 March 2016)	112,692	-	-	10,705	1,797	-	10,912	136,106
Christopher Oldfield CEO (to 4 December 2015)	144,015	-	-	13,681	9,604	-	(11,909)	155,391
Gregory Stanford GM – Development (from November 2015)	136,044	-	-	15,305	3,237	-	15,380	169,966
Mike O'Shea GM - Operations	153,449	-	-	14,578	16,473	-	6,888	191,388
Luke Curtain GM – Corporate Services (Deputy CEO from 1 November 2015, and Acting CEO from 5 December 2015 to 29 February 2016)	208,017	-	-	23,922	13,453	-	22,598	267,990
Catherine Murdoch GM – Environment Compliance & People (from 1 November 2015)	91,486	-	-	8,691	3,337	-	4,167	107,681
Total	845,703	-	-	86,882	47,901	-	48,036	1,028,522

Year ended 30 June 2015

	Salary ¹	Short term incentives ²	Termination benefits ³	Superannuation ⁴	Vehicles ⁵	Other benefits ⁶	Other non-monetary benefits ⁷	Total 2014/15
Christopher Oldfield CEO	345,637	-	-	32,835	15,303	-	23,264	417,039
Gregory Stanford Deputy CEO * - GM Development to 18 January 2015	170,865	-	-	19,222	14,122	-	7,129	211,338
Mike O'Shea GM - Operations	148,274	-	-	14,086	11,523	-	24,131	198,014
Luke Curtain GM – Commercial	178,215	-	-	20,495	10,688	-	12,231	221,629
Total	842,991	-	-	86,638	51,636	-	66,755	1,048,020

* Part time Contracts & Engineering Adviser effective 19/01/2015

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

D2 Key management personnel (continued)

Executive remuneration (continued)

¹ Gross 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.

³ Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

⁴ Superannuation means the contribution to the superannuation fund of the individual.

⁵ Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking.

⁶ 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.

⁷ Other non-monetary benefits include annual and long service leave movements and non-monetary benefits.

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.

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, dated December 2014. 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 and 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 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.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

D2 Key management personnel (continued)

Remuneration policies (continued)

Short term incentive payments

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

Acting arrangements

Mr Curtain acted as Chief Executive Officer (CEO) between 5 December 2015 and 29 February 2016 following the resignation of Mr Oldfield until Ms Morris commenced on 1 March 2016.

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

	2016	2015
Current liabilities		
Secured loans - Tascorp	21,398,186	15,287,228
	<u>21,398,186</u>	<u>15,287,228</u>
Non-current liabilities		
Secured loans - Tascorp	4,067,515	15,715,701
	<u>4,067,515</u>	<u>15,715,701</u>

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Year of maturity	30 June 2016		30 June 2015	
			Face value	Carrying amount	Face value	Carrying amount
Secured loans - Tascorp	2.50% - 7.56%	2016 - 2023	25,465,701	25,465,701	31,002,929	31,002,929
Total interest-bearing liabilities			<u>25,465,701</u>	<u>25,465,701</u>	<u>31,002,929</u>	<u>31,002,929</u>

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

	2016	2015
Finance costs		
Interest on loans	1,380,526	1,902,056
Guarantee fee	192,325	231,004
Collection costs	19,853	10,347
	<u>1,592,704</u>	<u>2,143,407</u>

Recognition and measurement

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

E3 Issued capital

	Ordinary shares	
	2016	2015
On issue at 1 July	161,821,192	143,142,892
Government contributions	7,500,000	18,678,300
On issue at 30 June	<u>169,321,192</u>	<u>161,821,192</u>

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.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

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, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board has established a structured risk management framework with implementation delegated to the Chief Executive Officer. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit and Compliance Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit and Compliance Committee is assisted in its oversight role by Internal and Compliance Audit. Internal and Compliance Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Compliance Committee.

Categories of financial instruments

	Note	2016	2015
Financial assets			
Cash and cash equivalents	C1	11,501,797	12,356,772
Loans and receivables		8,184,581	9,133,395
		19,686,378	21,490,167
Financial liabilities			
Financial liabilities measured at amortised cost		31,362,341	37,011,333
		31,362,341	37,011,333

Recognition and measurement – financial assets

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see below).

The Company initially recognises loans and receivables on the date that they are originated at cost. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

E4 Capital and risk management (continued)

Recognition and measurement – financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has no derivative financial assets.

Recognition and measurement – financial liabilities

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables and loans and borrowings (refer note E1).

The Company has no derivative financial liabilities.

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:

		Carrying amount	
	Note	2016	2015
Trade and other receivables	C2	6,500,889	6,745,356
Other financial assets	F2	1,683,692	2,388,039
		<u>8,184,581</u>	<u>9,133,395</u>

Trade and other receivables

Credit risk arises principally from the Company's receivables from customers. There have been no changes made to the credit policy of the Company from the previous reporting period. Financial assets that are neither past due nor impaired are considered to be of sound credit quality.

The average credit period on water entitlement sales and water usage charges is 30 days. No interest is charged on the trade receivables for the first 30 days from the date of the invoice. Thereafter a surcharge may be applied to the outstanding balance.

Cash and cash equivalents

The Company held cash and cash equivalents of \$11,501,797 at 30 June 2016 (2015: \$12,356,772), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

E4 Capital and risk management (continued)

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 2016

	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	25,465,701	25,465,701	9,750,000	71,741	11,576,445	3,404,872	662,643
Trade and other payables	5,858,388	5,858,388	5,858,388	-	-	-	-
	31,324,089	31,324,089	15,608,388	71,741	11,576,445	3,404,872	662,643

30 June 2015

	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	31,002,929	31,002,929	13,750,000	66,938	1,470,290	13,598,241	2,117,460
Trade and other payables	6,006,389	6,006,389	5,983,906	9,335	-	13,148	-
	37,009,318	37,009,318	19,733,906	76,273	1,470,290	13,611,389	2,117,460

Market risk

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

Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount	
	2016	2015
Fixed rate instruments		
Financial assets	8,184,581	9,133,395
Financial liabilities	(31,362,341)	(37,011,333)
	(23,177,760)	(27,877,938)
Variable rate instruments		
Financial assets	11,501,797	12,356,772
Financial liabilities	-	-
	11,501,797	12,356,772

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

E4 Capital and risk management (continued)

Interest rate risk (continued)

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit or loss for the year ended 30 June 2016 would increase/decrease by \$115,018 (2015: \$123,568). This is primarily due to the Company's exposure to interest rates on its cash and cash equivalents.

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 grants received annually to fund its operations and will be reliant on 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 \$26,459,957 (2015: \$32,487,614).

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 2016, 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 1057 'Application of Australian Accounting Standards' – The AASB has reissued most of its Standards and Interpretations that incorporate IFRSs to make editorial comments which will enable the AASB to issue Australian versions of IFRSs more efficiently. The technical requirements of the Standards have not been amended. The effective date for mandatory adoption of the standard by the Company is in the year ending 30 June 2017. The impact on the Company is not expected to be material.
- AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101' – The amendments do not require significant change to current practice, but should facilitate improved reporting, including an emphasis on only material disclosures, clarity on the aggregation and disaggregation of line items, ordering of notes and significant accounting policies. The effective date for mandatory adoption of the standard by the Company is in the year ending 30 June 2017. The impact on the Company has not yet been quantified.
- 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. The impact on the Company has not yet been quantified.
- 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. The effective date for mandatory adoption of the standard by the Company is in the year ending 30 June 2019. The impact on the Company has not yet been quantified.
- AASB 16 'Leases' – The Standard removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. The effective date for mandatory adoption of the standard by the Company is in the year ending 30 June 2020. The impact on the Company is not expected to be material.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

F2 Other financial assets

	2016	2015
Current assets		
Greater Meander Irrigation Scheme fixed repayment plans - 5 years	-	12,330
Greater Meander Irrigation Scheme fixed repayment plans - 10 years	584,514	582,964
	<u>584,514</u>	<u>595,294</u>
Non-current assets		
Greater Meander Irrigation Scheme fixed repayment plans - 5 years	-	-
Greater Meander Irrigation Scheme fixed repayment plans - 10 years	1,396,178	2,089,745
Greater Meander Irrigation Scheme - impairment of repayment plan - 10 years	(297,000)	(297,000)
	<u>1,099,178</u>	<u>1,792,745</u>

F3 Other assets

	2016	2015
Cressy Longford Irrigation Scheme Limited	193,556	193,556
Winnaleah Irrigation Scheme Limited	232,792	232,792
Winnaleah Irrigation Scheme Limited - Augmentation loan	494,470	535,069
	<u>920,818</u>	<u>961,417</u>

F4 Commitments

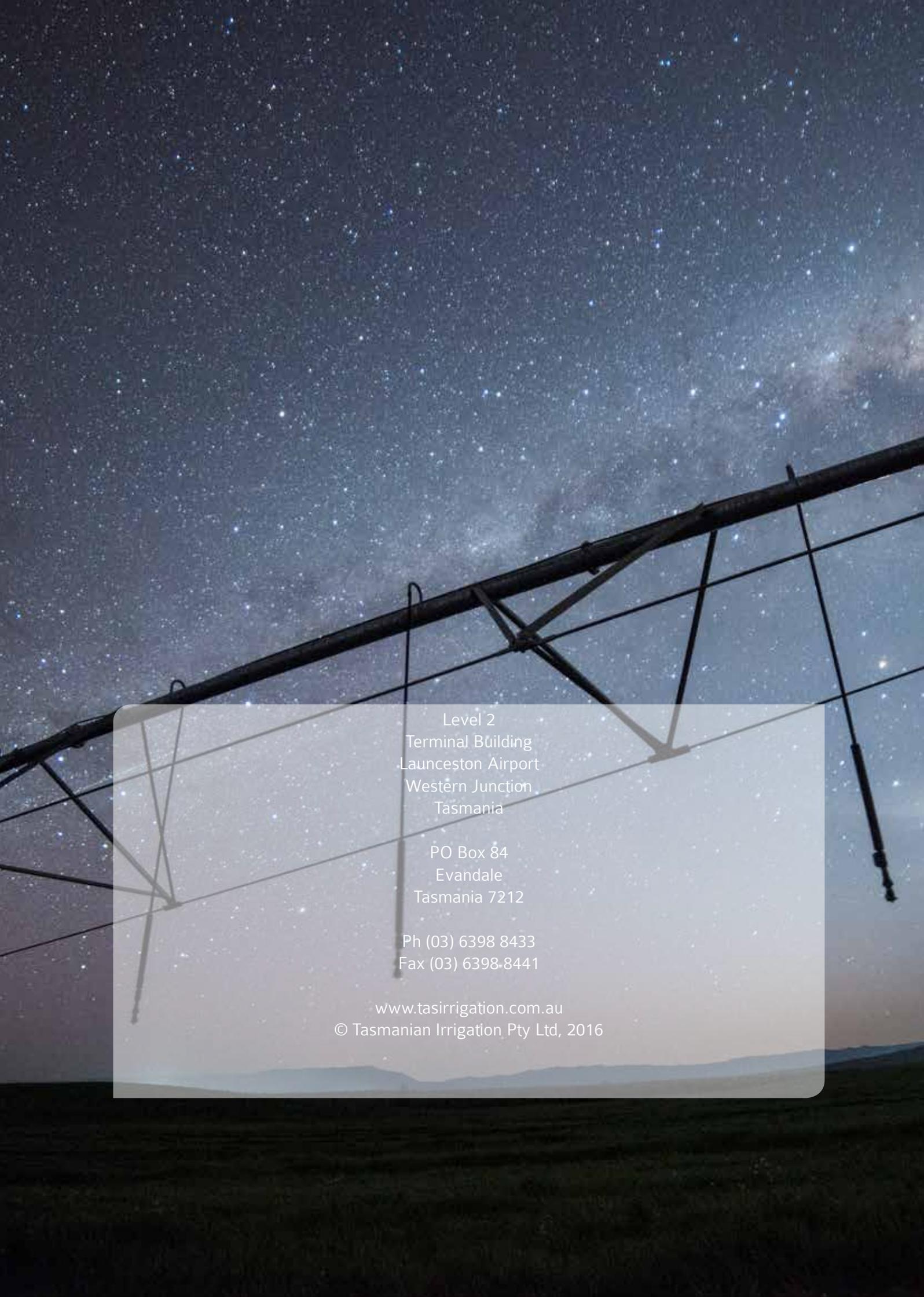
The Company has entered into contracts with third parties which will result in capital expenditure related to the construction of irrigation schemes as follows:

	Within 1 year	Between 1 and 5 years	Total
Southern Highlands Irrigation Scheme	24,116,954	-	24,116,954
Swan Valley Irrigation Scheme	1,216,000	967,000	2,183,000
	<u>25,332,954</u>	<u>967,000</u>	<u>26,299,954</u>

F5 Auditors remuneration

	2016	2015
Audit and review services		
Auditors of the Company		
<i>Auditor-General</i>		
Audit and review of financial statements	44,110	37,981
	<u>44,110</u>	<u>37,981</u>

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

A night sky filled with stars, with the Milky Way galaxy visible on the right side. In the foreground, the dark silhouette of an irrigation structure, including a main pipe and several support legs, is visible against the starry background.

Level 2
Terminal Building
Launceston Airport
Western Junction
Tasmania

PO Box 84
Evandale
Tasmania 7212

Ph (03) 6398 8433
Fax (03) 6398-8441

www.tasirrigation.com.au
© Tasmanian Irrigation Pty Ltd, 2016