

A black and white photograph of an industrial facility, likely a water treatment plant. In the foreground, there are large, curved metal pipes and various mechanical components. The background shows a large hall with a high ceiling, structural beams, and more industrial equipment. The lighting is somewhat dim, with some bright spots from overhead lights.

2015 ANNUAL REPORT

Tasmanian
Irrigation

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

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

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COMPANY OVERVIEW

Tasmanian Irrigation Pty Ltd (TI) is a state-owned company that develops, owns and operates private and publicly funded irrigation schemes in Tasmania.

Since its establishment in 2008, TI has established a suite of 10 operating, market-driven irrigation schemes. The primary aim of these schemes is to grow the wealth of Tasmania by developing and enhancing the productive capacity of the state's agricultural industries.

In 2011, following the merger with the Rivers and Water Supply Commission and Tasmanian Irrigation Schemes Pty Ltd, TI inherited the responsibility for three operating irrigation schemes and the ownership of infrastructure of two locally managed irrigation schemes.

In the near future, TI is planning to develop a further five irrigation schemes across the state, which will add significant economic value to the state and nation's agricultural production.

All schemes developed by TI are designed to last 100 years and deliver water at an average reliability of greater than 95 per cent.

TI aims to encourage and facilitate the expansion of high economic value agricultural production through irrigation without detriment to the state's natural assets.

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FROM THE CHAIRMAN

TI was established in 2008 with a clear direction from the State Government as to what was to be achieved. In turn, the independent, skills based Board accepted the responsibility of determining how these goals were to be realised.

The innovative business model created at that time ensured that true public private partnerships would be the key driver in developing fully funded vitally important irrigation infrastructure for Tasmania.

I am delighted to report that all 10 of the Tranche 1 schemes have now been successfully developed under this model with all 10 scheduled to deliver water to their respective districts this coming summer.

All of the TI schemes developed are designed to have an operating life of at least 100 years and to provide water with a level of reliability of at least 95%. This will allow the expansion of existing enterprises and consideration of new enterprises in the regions.

The economic and social benefits to the communities concerned are becoming apparent in the districts where water is now being delivered. The benefits to these communities and to the Tasmanian economy as a whole will continue for generations to come.

That the successful development of the Tranche 1 schemes has occurred is a tribute to the development partners: the respective communities led by their leadership groups, the TI team and the state and federal governments for allowing the communities and TI to pursue the development of these schemes using the TI model.

I am further delighted to report that the federal and state governments have recently committed a further \$90 million to enable TI to potentially develop up to a further five schemes, the Tranche 2 schemes, located across Tasmania. Progress is well advanced with several and we expect to commence construction of the first Tranche 2 scheme in early 2016.

The innovative business model created by TI, which has now attracted this further public funding for the Tranche 2 schemes, has attracted interest from interstate and overseas as a model that enables governments to work with local communities to build, effectively and efficiently, long-life, wealth creating infrastructure.



HIGHLIGHTS OF 2014/15

1. Successful opening season of Midlands Water Scheme and the associated Midlands Power Station.
2. Successful opening season of Kindred North Motton Irrigation Scheme.
3. Increasing the efficiency and capacity of the operational segment of the business in line with the increase in operational schemes across the state.

OPERATIONS

1. Construction of the South East Stage 3, Upper Ringarooma and Dial Blythe irrigation schemes completed on time and within budget.
2. Former Deputy CEO and General Manager - Technical Greg Stanford named the Engineers Australia Tasmanian Professional Engineer of the Year following his significant contribution to the development of irrigation schemes in Tasmania.
3. Midlands Water Scheme awarded the Civil Contractors National Earth Award (category 4 - \$30 million to \$75 million) for excellence in civil construction.

CONSTRUCTION

1. Launch of water sales for the Duck, Southern Highlands, Swan and Scottsdale irrigation schemes.
2. Pre-construction water sales thresholds being exceeded for the Duck and Southern Highlands irrigation schemes.
3. Investigation into developing opportunities to reduce costs for existing schemes and increase potential for additional irrigation following the launch of the Future Irrigation Project.

ASSET DEVELOPMENT

1. No reportable incidents of environmental non-compliance during the construction of South East Stage 3, Upper Ringarooma and Dial Blythe irrigation schemes.
2. Establishment of Farm Water Access Plans (Farm WAPs) applying to properties in the Midlands, South East Stage 3 and Dial Blythe schemes, together with ongoing preparation of Farm WAPs for the Upper Ringarooma scheme.
3. Farm WAP audits performed within the operational irrigation schemes, confirming that the irrigators are complying with the terms of their Farm WAPs in the application of water on their properties.

ENVIRONMENT

1. Commitment of state and federal governments funding to contribute towards the Tranche 2 suite of schemes.
2. Further development of the local water market with around 10,400 mega litres traded in TI irrigation schemes during 2014/15.
3. OH&S management system obtained AS4801 accreditation, confirming that sufficient systems and procedures are in place to meet best practice and legislative compliance.

COMMERCIAL

PERFORMANCE TARGETS 2014/15

Financial Indicators

Business Area	Key Performance Indicator	Actual	Target	
		2014/2015	2014/2015	
Development	Budget Delivery – Schemes Developed Within Budget	100% (3 out of 3)	100% (3 out of 3)	Fully Achieved
	Project Pre-feasibility Overheads & Administration Costs	\$5.34m	\$6.45m	Fully Achieved
	Post-Construction Water Sales	\$1.09m	\$7.23m	Not Achieved ¹
Operations	Overheads per ML of Water Entitlement Issued	\$16.65	\$17.94	Fully Achieved
	Fixed Revenue (exc. Asset Main) /Fixed Expense (%)	107%	105%	Fully Achieved
	Variable Revenue / Variable Expenses (%)	124% ¹	100%	Fully Achieved
	Average Debtors Days	41 Days	45 Days	Fully Achieved
Ownership	Asset Renewal Levy / Asset Renewal Annuity (%)	100%	100%	Fully Achieved

¹Variable charge pricing is based on the recovery of the cost incurred to deliver water to irrigators. These costs are estimated prior to the season opening and can be highly variable. Any surplus funds at the end of the year are retained in the schemes and are taken into consideration when setting the prices for subsequent irrigation seasons.

Non-Financial Indicators

Business Area	Key Performance Indicator	Actual	Target	
		2014/2015	2014/2015	
Health & Safety	Lost Time Injury Frequency Rate	4.0	Nil	Partially Achieved
	Hours of work per positive performance indicator activity ²	22.0	40.0	Fully Achieved
Environment & Cultural Heritage	Number of significant incidents	Nil	Nil	Fully Achieved
	Annual Farm WAP Audits in Accordance with Irrigation District requirements	100%	100%	Fully Achieved
Development	Number of Approved Business Cases	4	4	Fully Achieved
	Number of Schemes in Construction	3	3	Fully Achieved
Operations	Delivery to Order Ratio	100%	95%	Fully Achieved
	Non-Planned Outages	2	5	Fully Achieved
	Actions Closed Out in Agreed Timeframe	100%	100%	Fully Achieved
Ownership	Average Review of Asset Management Plans	2.75 years, with 2 greater than 5 years	3 years, with none greater than 5 years	Partially Achieved

¹The performance against the post-construction water sales target has been attributed to the water resources that were available under existing water entitlements prior to the commencement of the 2014-15 irrigation season. In addition, a number of irrigation schemes were in their initial season of operations. Farmers had invested significant amounts of money for the purchase of initial water entitlements and significant on-farm infrastructure which has restricted available capital for additional water entitlement purchases.

²Positive performance indicators (PPI) are measures of actions or initiatives introduced to prevent workplace injury and disease. PPI include safety audits, employee training, site inspections, hazard identification, safety meetings and risk assessments. A lower figure is desirable as it indicates a stronger health, safety and injury management performance as more positive performance indicators being undertaken per hours worked.

CHIEF EXECUTIVE OFFICER'S REPORT

It has been another year of achievement for TI that has seen the transition from the completion of 10 schemes in Tranche 1 to the development phase of potentially five new schemes in Tranche 2.

With the commissioning of the Dial Blythe Irrigation Scheme in March, and the Upper Ringarooma and South East Stage 3 schemes in June 2015, 10 Tranche 1 schemes are now operational.

Dial Blythe at a cost of \$14.4 million, provides 2,855 mega litres (ML) of water and covers an irrigable area of 8,630 ha. Unlike the other schemes, it was funded by the Australian Government (\$9.06 million) under the Tasmanian Jobs and Growth Plan, \$1.96 million from the State Government and \$3.4 million in private farmer capital. The first water was delivered in April 2015.

Construction of the \$28 million Upper Ringarooma scheme has recently achieved completion. With 5,700 ML covering 10,177 ha it serves pasture and cropping land around Ringarooma, Legerwood and Branxholm. Water is stored in the new Dunns Creek Dam, supported by supplementary pumping from the Ringarooma River during years of low rainfall. Water is delivered by 38.5 km of buried pipeline and the river. The pipeline is pressurised at the Dunns Creek and Cottons Bridge pump stations.

The \$33 million South East Stage 3 Irrigation Scheme, provides 3,000 ML of water over 5,780 ha. Construction took place in 2014/15 and will begin operating in the 2015/16 irrigation season. The scheme services agricultural, horticultural and viticulture enterprises around the population centres of Tea Tree, Campania, Orielton, Pawleena, Penna, Sorell and Forcett.

The 15 schemes that have been completed or are being developed in the two tranches account for \$950 million capital investment on and off-farm, with most of that, \$628 million, coming from farmer/irrigators. To date the Australian Government has invested about \$140 million and the State Government \$110 million with 2014/15 commitments of \$60 million and \$30 million respectively.

When one adds the data from the schemes that existed before 2008 when TI started its work to the data from the 10 completed schemes and the five soon to be completed, this irrigation revolution in Tasmania will be storing and distributing about 160,000 ML of water across almost 250,000 ha of arable land. It revolutionises agriculture here.

Nowhere is the transformation more evident than down the spine of Tasmania

where the Midlands Water Scheme, the largest and which was commissioned in 2013/14, services farms between Campbell Town and Kempton. Traditional production here has been in poppies, cereals, canola, pasture seeds, lucerne, potatoes and pasture for livestock finishing. This scheme has delivered the potential for dairy conversions and perennial horticulture.

The total economic benefit of irrigation to Tasmania is a key assessment criteria for the development of a scheme. According to economic consultants Marsden Jacob Associates, the second tranche of five schemes is expected to produce a combined economic NPV (net present value) at farm gate of \$100 million, and to have a flow-on economic effect of up to an additional \$200 million, that is, an economic multiplier of three.

The Tasmanian irrigation revolution has the potential to establish the state as the most reliable source of high quality food and fibre in a continent challenged by climate change.

Tranche 2 schemes

This is a synopsis of the 2014/15 development of the five schemes in Tranche 2.

Circular Head

The proposed Circular Head scheme was modified in 2014/15 after water sales failed to reflect the original expressions of interest for the three irrigation districts within the scheme. A total of 81 irrigators had expressed an interest to buy rights to 26,562 ML of water, the scheme was designed accordingly, but, at the first round of water sales, 37 irrigators committed to buy just 4,385 ML, a 17 per cent uptake.

TI set aside the Harcus and Redpa district schemes and redesigned the Duck scheme. Eventually, all water rights were sold for the scheme that will deliver 5,000 ML.

Scottsdale

This was the other example of water sales not meeting original expressions of interest. When TI originally proposed the scheme for this Scottsdale, Bridport, Waterhouse district, 90 farmers expressed an interest in buying 11,600 ML. The final design could provide a maximum of only 8,600 ML with TI's required 95 per cent average reliability but when water sales closed in November 2014, there were bids for just 3,780 ML. Of those, 395 ML would have been on uneconomic branch lines, so the final demand was for 3,385 ML. There will be a second round of water sales in September when TI must have commitments for

6,450 ML, the 75 per cent threshold of the scheme's capacity, for the scheme to proceed. Contracts remain valid for those who have already committed to buy. They do not need to apply again, unless they want more. TI has extended the date for its final acceptances to December 31.

Southern Highlands

There was an overwhelming response to water in the Southern Highlands scheme at the end of 2014 with sales easily achieving the sales threshold of 80 per cent. In fact, it was more than 100 per cent sold. It demonstrated clearly that the Bothwell farming community supported the scheme. The extent of sales caused TI to increase the size of the scheme to more than 7,000 ML. The final scheme design varies to the Preferred Option and the Business Case. That is because demand for water was stronger than anticipated on the Hollow Tree mainline and to the east of Bothwell. Providing irrigation water to these two areas will substantially increase farm production for the overall district. TI is working on tender documentation to build the scheme.

North Esk

Support for the North Esk Irrigation Scheme was strong in 2014/15 with further interest being generated since the launch of the Preferred Option in November 2014. The current proposal is to harvest water from the North Esk River and feed it to the dam site at Dalness. From the dam the water will be distributed by gravity via an underground HDPE pipeline network. TI is investigating a number of off-take points, including one near the TasWater weir at Chimney Saddle. This option would provide an opportunity for TasWater to connect into TI infrastructure and use water in periods of high demand to supply Launceston.

Swan Valley

The initial water sales for the Swan Valley scheme were launched in March with available entitlements to 2,000 ML in the scheme that pumps flood flows from the Swan River into a 3,000 ML dam to be built near Cranbrook. A second round of water sales is under way.

The region is acknowledged to be a prime area for agricultural expansion, notably in viticulture. The area has a stable climate, with preferred aspects with suitable soils for viticulture. However, a limited supply of irrigation water and a lack of security associated with this supply has restricted the expansion of existing vineyards and the development of new vineyards. This area of Tasmania, through the supply of additional high-reliability irrigation water, has the potential to mirror the growth and prosperity of the Coal Valley in the south of the state.

Economic benefits

It is worthwhile noting some of the economic spin-offs of the schemes so far.

Costa

With 530 hectares of berry farms (blueberries, raspberries, strawberries and blackberries) across Australia in NSW, Tasmania, Far North Queensland and Western Australia, Costa is the largest supplier of fresh berries in the Australian marketplace and one of the largest growers of blueberries and raspberries in the world. The company produces berries at Sulphur Creek, East Devonport, Wesley Vale and Dunorlan, providing employment for up to 1,000 workers across its operations.

Costa's 10-ha strawberry farm at East Devonport uses hydroponics to grow the strawberries in substrate with water coming from the Sassafras-Wesley Vale Irrigation Scheme.

The Costa blueberry and raspberry farm at Sulphur Creek uses water from the Dial Blythe scheme. Raspberry planting undertaken at Wesley Vale in the past 12 months has also been made possible by water from the Sassafras-Wesley Vale Irrigation Scheme.

"The water infrastructure provided by Tasmanian Irrigation has been crucial in making Tasmania an attractive place for Costa to invest capital and expand our berry business," the company says.

Hazell Bros

Hazell Bros has been perhaps the main development contractor across the schemes. It provided about \$45 million worth of direct works in the period 2013 to 2015. It employed a senior engineer, two graduate engineers and an additional foreman to assist in resourcing these projects. Altogether it employed more than 40 direct employees and 60 subcontractors during this time.

More than 10 subcontract businesses were directly involved. Each bought new gear and hired additional staff to complete their works packages.

Zezt

Local pipe manufacturer Zezt has seen its business develop and expand with the Tasmanian irrigation roll-out to the extent that it is expanding to Victoria with a new greenfields, purpose-built factory site at Derrimut in Melbourne.

"The impact of Tranche 1 of the Tasmanian Irrigation schemes on Zezt has been profound," Zezt managing director David Kenworthy says.

Conclusion

Over the coming year, TI will continue the transition from a civil engineering construction business into a mainly operations-based business, managing schemes and continuing to seek growth opportunities for Tasmanian farmers.

On behalf of the TI senior management, I would like to thank TI staff, the local irrigator committees, contractors and the communities in which we operate for continuing to deliver this irrigation revolution for our state. We all take pride in what has been achieved.

Chris Oldfield
Chief Executive Officer



REVIEW OF OPERATIONS

Great Forester Irrigation Scheme (Headquarters Road)

as at June 2015

Construction:	complete
Transition to operations:	complete
Capacity:	1,980 ML
Water sales:	1,887 ML
Uptake:	95%

Whitemore Irrigation Scheme

as at June 2015

Construction:	complete
Transition to operations:	complete
Capacity:	5,500 ML
Water sales:	3,865 ML
Uptake:	70%

Sassafras Wesley Vale Irrigation Scheme

as at June 2015

Construction:	complete
Transition to operations:	complete
Capacity:	5,460 ML
Water sales:	5,460 ML
Uptake:	100%

Greater Meander Irrigation Scheme

(incorporating Meander River and Pipelines)

as at June 2015

Construction:	complete
Transition to operations:	complete
Capacity:	36,000 ML
Water sales:	24,938 ML
Uptake:	69%

Winnaleah Irrigation Scheme

as at June 2015

Construction:	complete
Transition to operations:	complete
Capacity:	3,700 ML
Water sales:	3,125 ML
Uptake:	84%

Lower South Esk Irrigation Scheme

as at June 2015

Construction:	complete
Transition to operations:	complete
Capacity:	5,298 ML
Water sales:	5,298 ML
Uptake:	100%

Midlands Water Scheme

as at June 2015

Construction:	complete
Transition to operations:	complete
Capacity:	38,500 ML
Water sales:	27,986 ML
Uptake:	73%

Kindred North Motton Irrigation Scheme

as at June 2015

Construction:	complete
Transition to operations:	complete
Capacity:	2,500 ML
Water sales:	1,545 ML
Uptake:	62%

Upper Ringarooma Irrigation Scheme

as at June 2015

Construction:	complete
Transition to operations:	under way
Capacity:	5,700 ML
Water sales:	3,745 ML
Uptake:	66%

Coal River Irrigation Scheme & South East (stage 2) Irrigation Scheme

as at June 2015

Construction:	complete
Transition to Operations:	complete
Capacity:	12,600 ML
Water sales:	
Coal River (stage 1):	2,645 ML
Uptake:	100%
Stage 2:	1,977 ML
Uptake:	100%

South East (stage 3) Irrigation Scheme

as at June 2015

Construction:	complete
Transition to operations:	under way
Capacity:	3,000 ML
Water sales:	2,335 ML
Uptake:	78%

Dial Blythe Irrigation Scheme

as at June 2015

Construction:	complete
Transition to operations:	under way
Capacity:	2,855 ML
Water sales:	1,960 ML
Uptake:	69%

REVIEW OF OPERATIONS

Operating Irrigation Scheme

Water Entitlements (ML)

Cressy Longford	8,295
Dial Blythe	2,855
Great Forester	1,980
Greater Meander	36,000
Kindred North Motton	2,500
Lower South Esk	5,298
Midlands	38,500
Sassafras Wesley Vale	5,460
South East (stage 1)	2,645
South East (stage 2)	1,976
South East (stage 3)	3,000
Winnaleah	6,954
Whitemore	5,000
Upper Ringarooma	5,700
Total	126,163

Greater Meander Irrigation Scheme water entitlements are inclusive of the available water entitlements of the Caveside, Hagley, Quamby & Rubicon schemes due to the inter-connected aspect of the schemes.

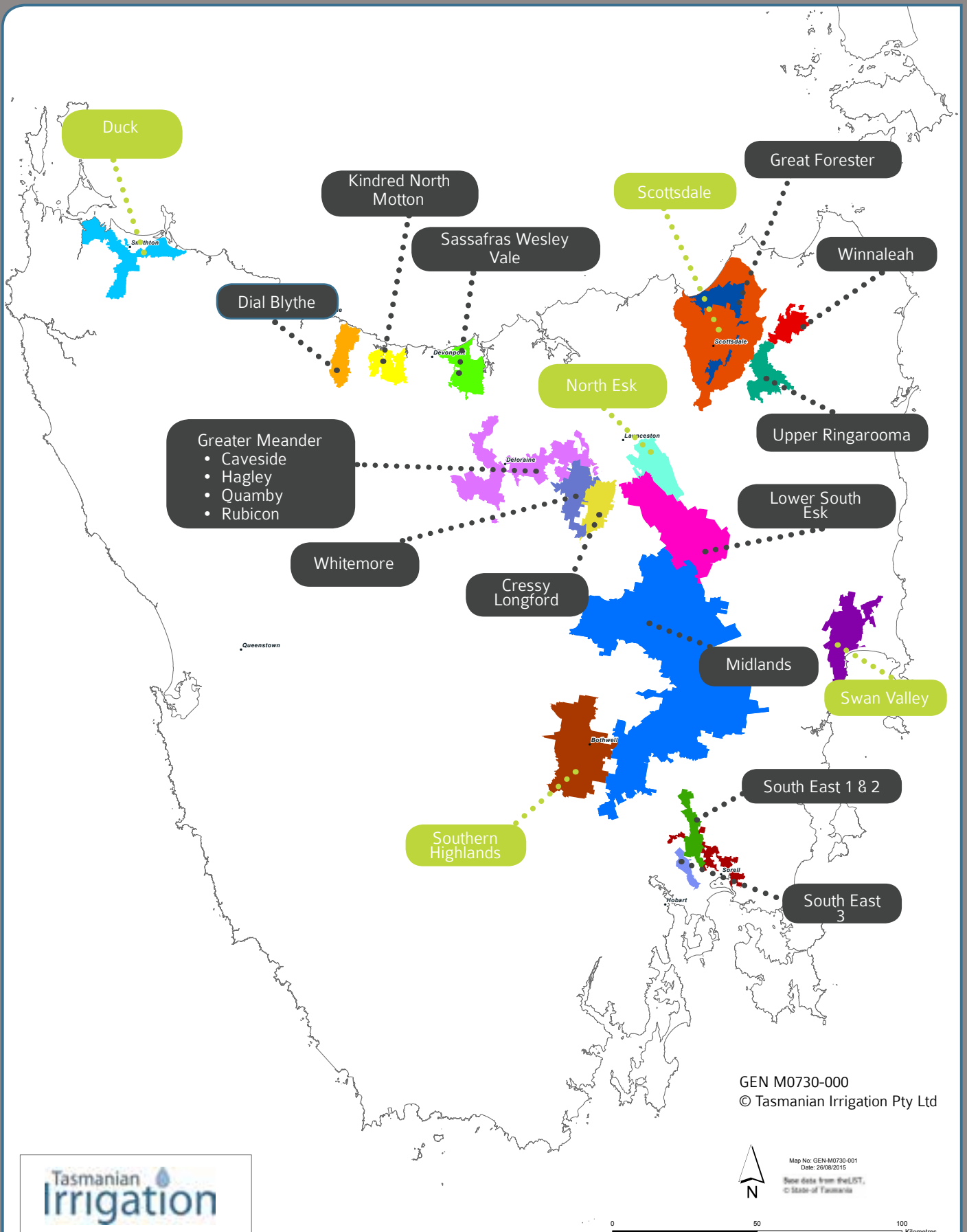
Development Phase

Irrigation Scheme

Water Entitlements (ML)

Duck	5,000
North Esk	2,850
Scottsdale	8,600
Southern Highlands	7,215
Swan Valley	2,000
Total	25,665

REVIEW OF OPERATIONS CONT.



REVIEW OF OPERATIONS CONT.

Environment

Tasmania is recognised internationally for its outstanding natural values. TI has established an environmental management program that ensures that its activities protect and maintain these natural values.

During 2014/15 TI constructed the South East Stage 3, Upper Ringarooma and Dial Blythe irrigation schemes. The construction of these schemes was completed in accordance with all environmental approvals and permits with no reportable incidents of non-compliance occurring.

TI's solution to ensuring that irrigation is applied sustainably is the innovative Farm Water Access Planning process. Farm Water Access Plans (Farm WAPs) were completed for the Midlands Water Scheme, South East Stage 3 and Dial Blythe irrigation schemes and commenced for the Upper Ringarooma scheme. A total of 390 Farm Water Access Plans were completed up to the 30th June 2015.

TI conducted an environmental auditing program for construction activities and the Farm WAP process during 2014/15. The Farm WAP auditing program determined that all irrigators audited were found to be operating in compliance with their Farm WAP.

Water quality monitoring programs and environmental flow regimes were implemented to protect nationally threatened aquatic species such as the green and gold frog, giant freshwater crayfish and Australian grayling. Groundwater monitoring commenced for the South East Stage 3 scheme to ensure that there are no impacts to the nationally significant Pitt Water Orielton Ramsar site as a result of scheme operations. TI implemented both its construction and operational activities in accordance with all environmental approvals and permits during the 2014/15 season.

Operations

The 2014/15 irrigation season has been one that has presented several challenges

to the growing operations side of the TI business.

The initial seasons of the Midlands Water Scheme and the Kindred North Motton Irrigation Scheme have seen the number of operational schemes increase to 10 and the total amount of irrigation water available to irrigators has increased from 59,100 ML to 99,600 ML.

A significant proportion of the additional volume has come with the inclusion of the Midlands Water Scheme into the operational schemes with a total of 38,500 ML available for irrigators over the full year.

The increase in the volume of water has meant that there has been a significant effort in sourcing additional staff to be able to effectively and efficiently operate these schemes as well as the existing operations.

We have been fortunate that we have been able to fill these positions with staff who were employed during construction with the aim of becoming operators for these schemes post construction. This has meant that the intellectual property and knowledge is transferred directly into operations of the new schemes.

This is a model that we will continue to develop in operations. With three new schemes coming online in the coming year it is expected that we will continue to be able to use employees who have been involved in construction in the operational side of the business.

As the scale of our operations business grows we continue to look at ways that we can be more efficient in the delivery of irrigation water. In order to meet this objective, a large amount of time and effort has been spent over the past 12 months in developing system controls for our schemes to enable our operators more flexibility in the remote control of pump stations and the management of flows. This has been a challenging exercise and it is only recently that the real benefits are starting to present themselves from this work. The next

12 months will see a continuation of this work as we roll the program out to new schemes coming online as well as looking to implement it into previously constructed schemes where practical.

The 2014/15 season has also seen the successful commissioning of the Midlands Power Station as part of the Midlands Water Scheme. This in conjunction with the Meander Mini Hydro has seen a significant increase in the amount of power generation that TI has been able to produce and will continue to produce in the coming years.

Dam Safety

We have continued to manage our portfolio of dams across the state in accordance with our commitments to ensure the continued safe operation of these important assets.

TI manages 15 dams and three small diversion weirs, including three new dams (South Riana, Rekuna and Dunns Creek) completed within the last 12 months. As part of TI's Midlands Water Scheme, we also own, operate and maintain the outlet structure at Hydro Tasmania's Arthur's Dam levee. There were no dam safety incidents at any of these dams during the reporting period and all have performed in line with expectations.

All works on these dams are undertaken in accordance with the requirements of Tasmanian state dam safety regulations and our commitment to adopt industry good practice as recommended by the Australian National Committee on Large Dams (ANCOLD).

Our dam safety program is delivered using a combination of in-house and external resources including URS, GHD, Entura and Pitt & Sherry.

Over the past year we have continued the development of our dam safety management system, including improving our routine dam safety surveillance practices, completion of all intermediate dam safety inspections, review of internal reporting systems, documentation and staff training. We also updated our Dam Safety Emergency Plan in October 2014.

REVIEW OF OPERATIONS CONT.

Specialist dam safety consultant URS also completed dam safety inspections, dam safety reviews and risk assessments of five high priority dams - Daisy Banks, Lake Leake, Tooms Lake, Cascade and Rileys Creek Dam, with Pitt & Sherry also completing an evaluation of dam safety issues at Galesford Dam. The results of this work will be used to prioritise future dam safety upgrade programs.

Commercial

A significant milestone from a commercial perspective was securing \$30 million of state government funding commitments and \$60 million of Australian Government funding commitments for the Tranche 2 projects.

The administration and finance functions have continued to streamline processes for reporting and forecasting, providing valuable support to scheme operators, managers and other stakeholders. The commercial team also liaises with 785 irrigation customers and raises around 2,200 invoices during the year.

Following the commissioning of the Midlands Water Scheme, the positive relationship with bulk water supplier Hydro Tasmania has continued with the volume of water purchased from the supplier increasing by over 1,500% compared to 2013/14. TasWater has also provided valuable ongoing support, particularly in the South East where water purchases are expected to increase following the commissioning of the new South East Stage 3 scheme.

Water sales have been launched for four of the five Tranche 2 schemes; Southern Highlands, Scottsdale, Swan and Duck irrigation schemes, with two of these schemes exceeding their pre-construction water sales thresholds. This show of support from the farmers affirms our confidence in the significant benefits which will flow from development of irrigation in these regions.

Water Market Development

During 2014/15, 10,400 mega litres of entitlements were traded between entitlement holders around Tasmania. This represents an increase of 126% compared

to 2013/14, many of these trades within the new Midlands Water Scheme. Many of these water entitlement trades have been on a short-term basis, with some water entitlement holders leasing their water to other irrigators if they don't have a need for the water on their own properties for short periods of time.

The average price paid per ML for permanent transfers was around \$1,484/ML, which represents a 14% increase from the 2013/14 average price of \$1,302/ML. The highest price paid was \$3,000/ML for 25 ML in the South East (Stage 2) Irrigation District.

The Tasmanian water trading market is developing rapidly as irrigators become more aware of the potential of their assets. The free online water trading noticeboard on the TI website has been a valuable resource for the facilitation of the trading, with the average processing times of the water trade being significantly less than mainland experiences.

Further reviews of trading systems are being undertaken in order to assist the irrigators in making the trading process as smooth and streamlined as possible. TI recognises that a strong water trading market will promote the most efficient allocation of water within the irrigation schemes around the state, ensuring the highest economic use is achieved.

TI continues to maintain the registers of entitlements, holders and registered interests as the Responsible Water Entity of the various irrigation districts.

Health and Safety

The 2014/15 financial year has seen TI's OHS management system certified to comply with AS4801 Occupational Health and Management Systems. A compliant system ensures that there are sufficient procedures in place to continually improve our health and safety performance in accordance with best practice and legislative compliance. Certification of the Management System was achieved in September 2014.

TI has chosen to use lead indicators and has actively pursued the concept of

Positive Performance Indicators (PPI) to assist with tracking performance and identifying improvement opportunities. Performance targets have been established for each of the organisation's functional groups and for the organisation as a whole. A target ratio of one OHS check, meeting, risk assessment or toolbox meeting per working week (40 hours) has been implemented. A PPI score of 40 or less has been set for the organisation. A PPI score of 22, one check in every 22 hours, has been achieved during the financial year, improving on the 2014 performance when a score of 38 was achieved.

Monitoring of Lost Time (LTIFR) and Medical Treatment (MTIFR) incident frequency rates also remain key metrics for the organisation. Incident reporting has remained a focus with staff and contractors continuing to be encouraged to report all incidents and hazards, with reporting levels increasing year on year. The positive response from all has enabled a better understanding of the risks to health and safety posed by our operations. Incident reporting improvement is shown in Figure 1. The increased reporting of incidents is not a reflection of an unsafe work place, but a reflection of the acceptance of incident reporting. The majority of these are low risk or near miss incidents.

REVIEW OF OPERATIONS CONT.



During the 2014/15 reporting period, there were 84 incidents reported, eight of which were first aid treatment, six required medical treatments of which three were regarded as serious. There was one lost time incident.

Table 1: Tasmanian Irrigation Water Sales (as at 30 June 2015)

	Investor sales		Landholder Sales		Total Sales		Scheme Capacity	Percentage Uptake
	(ML)	(\$)	(ML)	(\$)	(ML)	(\$)		
Whitemore	250	282,500	3,615	4,086,150	3,865	4,368,650	5,500	70
Sassafras Wesley Vale	-	-	5,460	6,173,800	5,460	6,173,800	5,510	99
Great Forester	-	-	1,886.75	1,854,000	1,886.75	1,854,000	1,980	95
Greater Meander	-	-	90	102,900	90	102,900	90	100
Winnaleah (aug)	-	-	3,125	3,656,250	3,125	3,656,250	3,700	84
Lower South Esk	2,597	3,038,490	2,701	3,160,170	5,298	6,198,660	5,298	100
Midlands - Summer	5,884	6,648,920	9,928	11,218,640	15,812	17,867,560	15,812	100
Midlands - Winter	-	-	12,174	7,319,030	12,174	7,319,030	22,688	54
Kindred North Motton	-	-	1,545	1,854,000	1,545	1,854,000	2,500	62
Upper Ringarooma	-	-	3,745	4,494,000	3,745	4,494,000	5,700	66
South East (stage 3) (Summer)	-	-	2,335	6,304,500	2,335	6,304,500	3,000	78
South East (stage 3) (Winter) ¹	-	-	-	-	-	-	3,000	0
Dial Blythe	-	-	1,960	2,352,000	1,960	2,352,000	2,855	69
Total	8,731	9,969,910	48,564	52,575,440	57,295.75	62,545,350	77,633	74

¹South East (stage 3) (Winter) water for future release. Not currently available for purchase.

REVIEW OF OPERATIONS CONT.

Purchases from Tasmanian Businesses

% of purchases from Tasmanian businesses	79.85%
Value of purchases from Tasmanian businesses	\$44,284,000.96

Consultancies valued at more than \$50,000 (ex GST)

Name of Consultant	Location	Description	Period of Engagement	Amount
Pitt & Sherry	Launceston Tasmania	Contract management & supervision - URIS	1/7/2014 - 30/6/2015	\$395,290.10
Pitt & Sherry	Launceston Tasmania	Contract management & supervision - MWS	1/7/2014 - 30/6/2015	\$89,577.00
Pitt & Sherry	Launceston Tasmania	Contract management & supervision - SEIS	1/7/2014 - 30/6/2015	\$82,785.30
URS Australia	Melbourne Victoria	Dam safety review	1/7/2014 - 31/3/2015	\$109,698.80
URS Australia	Melbourne Victoria	Dam safety risk assessment	1/4/2015 - 31/8/2015	\$44,723.78
Macquarie Franklin	Launceston Tasmania	Contract management & supervision - SEIS	1/7/2014 - 30/6/2015	\$169,407.50
Total				\$891,482.48
There were 60 consultants engaged for \$50,000 or less totalling				\$1,662,651.11
TOTAL PAYMENTS TO CONSULTANTS				\$2,554,133.59

Accounts due or paid within each year

	Measure
Creditor days	16.93
Number of accounts due for payment	2,742
Number of accounts paid on time	2,114
Amount paid on time	\$47,768,145.78
Number of payments for interest on overdue accounts	5
Interest paid on overdue accounts	\$43.53

REVIEW OF CONSTRUCTION

SCHEMES COMPLETED IN 2014/15

Dial Blythe Irrigation Scheme

The \$14.4 million Dial Blythe Irrigation Scheme (DBIS) was constructed during the 2014/2015 financial year. Funded by the Tasmanian Jobs Growth Plan (\$9.06 million), a contribution from the Tasmanian Government (\$1.95 million) and irrigators (\$3.4 million), the 2,855 ML scheme is located on the North West Coast servicing the locales of South Riana, Riana, Howth, Cuprona and Penguin. The 4,000 ML South Riana Dam was built on a tributary of the Blythe River and will be filled by a combination of runoff (1,600 ML) and transfer of the remaining water from the Blythe River.

The scheme was officially opened on 6 March 2015 by the Deputy Premier, Jeremy Rockliff MP, and Brett Whitely MP. Water deliveries from the scheme commenced in March with approximately 200 ML of water being supplied to irrigators during commissioning of the scheme and initial operations.

The scheme consists of two pump stations and approximately 42 km of pipelines. Construction works were undertaken by Shaw Contracting (Australia) with design services from IPD Consulting. Pipe for the scheme was supplied by Zest Pty Ltd located at Wynyard, also on the North West Coast.

The scheme will commence its first full season of operation in December 2015 and is configured to supply to 52 farms and 44 participating farmers over a 120-day irrigation season. The distribution network crosses 91 properties. This region has excellent soils and the potential for future expansion of the scheme has been made possible through the construction of the larger storage. Expansion of the scheme supply will most likely be through the sale of shoulder water in the first instance, with uses such as dairy and berry cropping being likely.

South East Stage 3 Irrigation Scheme

The South East Stage 3 Irrigation Scheme (SEIS3) is one of the last developed by TI with the Tranche 1 funding package.

It will deliver up to 3,000 ML of water in summer and has the inherent capacity to deliver an additional 3,000 ML of winter water when future demand warrants the expansion. Building on from the success of the Coal Valley, the SEIS3 water will be used almost exclusively by horticultural and viticultural enterprises taking advantage of the mild summers with relatively low rainfall.

During operations, water will be sourced from the River Derwent at Bryn Estyn by TasWater infrastructure and supplied to the start of the SEIS3, being the connection point at Granton. From here some 84 km of main, branch and spur line piping takes the water across the Derwent through Brighton. In high flow situations the water is boost pumped by the Tea Tree Road pump station as it travels to irrigators distributed from Tea Tree, the Coal Valley, through to Sorell and Forcett. Two other small (<20kW) spur line boost pump stations are required for the Shrub End Road and Table Hill Spur lines. In total the scheme will supply water to 60 different irrigators delivered through 67 property outlets.

To enable the scheme to meet its reliability requirements during peak periods when TasWater infrastructure is not available, such as during extreme fire danger periods, the scheme includes a 200 ML holding dam at Rekuna.

All major works were completed in late January 2015, followed by two months of commissioning. On 2 April 2015 Practical Completion was awarded to the contractor, eight weeks before the contract date. Of note is that as a result of the strong focus by both Tasmanian Irrigation and the contractor (Hazell Bros.) construction works in excess of 120,000 man hours, have not resulted in a single Lost Time Injury (LTI) or environmental incident.

The scheme has already commenced supply of water through short-term water supply agreements during a currently dry winter. The first irrigation season will open on 1 October 2015.

Overall the SEIS3 project has been completed on time and within budget.

Upper Ringarooma Irrigation Scheme

Construction of the Upper Ringarooma Irrigation Scheme (URIS) was completed within budget and on schedule in June 2015. Filling of the Dunns Creek Dam, constructed by Shaw Contracting (Aust) Pty Ltd, commenced on 30 June 2015 via a combination of natural inflows and pump filling from the Cottons Bridge pump station and pipeline network, constructed by VEC Civil Engineering Pty Ltd.

Dunns Creek Dam, with a final surveyed storage capacity of 6,680 ML, will yield at least 5,700 ML p.a. with at least 95% average reliability. With an embankment volume of over 580,000 cubic metres above ground the earthen dam wall is understood to be the largest in Tasmania. The one megawatt Cottons Bridge pump station and site office at the confluence of the Maurice and Ringarooma rivers provides ability to both harvest water for the dam during winter as required and then distribute it in summer to 44 properties via a 39-km network of underground pipeline and the Ringarooma River.

In a move to improve cost efficiencies in the delivery of public infrastructure, the URIS will supply raw water to the proposed TasWater Ringarooma Valley Water Scheme. As URIS infrastructure will be used to deliver TasWater's own water licence volume to a treatment plant, the supply does not impact on the volume of scheme water available for irrigation.

REVIEW OF CONSTRUCTION CONT.

TRANCHE 2

Southern Highlands Irrigation Scheme

As at June 2015

Business Case: Complete

North Esk Irrigation Scheme

As at June 2015

Business Case: Complete

Scottsdale Irrigation Scheme

As at June 2015

Business Case: Complete

Duck Irrigation Scheme

As at June 2015

Preferred Option: Complete

Swan Valley Irrigation Scheme

As at June 2015

Business Case: Complete

Southern Highlands Irrigation Scheme (SHIS)

The Southern Highlands Irrigation Scheme (SHIS) will be the first Tranche 2 scheme that TI will progress into construction. The project is currently in the detailed design and approvals phase with the issuing of construction tender documents scheduled for July 2015.

This scheme is located in one of Tasmania's driest farming regions. The development of the SHIS will provide 7,215 ML of highly reliable irrigation water in the Bothwell region. There is approximately 8,000 ha of irrigable area in the district that can be serviced by the scheme. Water sales were launched in November 2014, with demand from landowners for water at a level that required Tasmanian Irrigation to modify the design of the scheme. Originally sized at 6,500 ML the scheme was increased to 7,215 ML. The community support for the scheme has been substantial and reflects the benefits the scheme will bring to the Bothwell area. Due to the increased scheme size Tasmanian Irrigation has completed an addendum to the approved business case. This is currently being reviewed by the Tasmanian Government. Originally part of TI's Tranche 1 projects, the scheme is located in an area which is ideal for growing poppies, cereals, seed crops and speciality niche crops. Large-scale dairy conversions are also planned. Scheme construction is likely to see cherry orchards and vineyards being established in the area. The region is being considered by cherry growers due to its higher altitude which enables a different growing season compared to other areas of Tasmania. These enterprises need high reliability irrigation water.

Proposed infrastructure includes three pump stations; a 7,600 ML storage dam and 58 km of distribution pipeline. Scheme water is sourced from the Shannon River. The scheme is expected to generate 39 full-time jobs once it is fully operational and provide irrigation water to farms from Waddamana Road through to Hollow Tree. The scheme will provide non-potable water to the township of Bothwell to be used by the Central Highlands Council and potentially TasWater. Total capital cost for the scheme is \$31.26 million.

North Esk Irrigation Scheme (NEIS)

The North Esk Irrigation Scheme (NEIS) is a \$17.3 million, 2,850 ML scheme which will deliver high reliability summer irrigation water to the regions of Evandale, Relbia and White Hills, south-east of Launceston in the state's north.

The scheme will store winter flows harvested from the North Esk River in a dam situated at White Hills before delivering the water via an underground HDPE pipeline network to scheme participants.

The region is highly suitable for poppy, cereal and seed crop production as well as traditional enterprises such as livestock finishing and newer ventures such as horticulture and potential berry production. In addition this scheme is very close in locality to the Launceston Airport, making it ideally situated to service the tourism industry with paddock-to-plate and cellar door potential as well as providing easy access to export markets.

The business case for the scheme was completed in May and presented to the Tasmanian Government for final approval. As such, the scheme is currently in the detailed design phase and will progress

to water sales upon government approval of the business case. The water sales process is the next critical phase for the scheme with the water sales threshold of 90% of the total volume, equating to 2,565 ML, required to be sold before the scheme can progress to construction. The water sales process will also determine the level of community support for the scheme.

Scottsdale Irrigation Scheme

A Business Case for the project was approved by the Tasmanian Government in October 2014.

The Scottsdale Irrigation Scheme (SIS) is based on a 9,300 ML dam on Camden Rivulet, 18 km south of Scottsdale in north-east Tasmania, which would deliver 8,600 ML a year at 95% average reliability. Water will be distributed to 90 irrigators via a 76-km underground pipeline network under good gravity pressure and three local waterways. The scheme incorporates a 2 megawatt mini-hydro power station, which will provide benefits to irrigators through a lower pumping charge for water supplied during the summer irrigation period, and a sharing of the gross revenue stream from the generation of energy which will reduce annual fixed charges.

At the close of water sales in November 2014, 81 applications totalling 3,780 ML were received. Of these, 16 applications totalling 395 ML are currently unable to be accepted as they are situated on branch lines which are unviable at current demand levels. Therefore, current acceptable applications total 3,385 ML from 65 landowners. For the SIS to proceed to construction, a water sales threshold of 6,450 ML (i.e. 75% of scheme capacity) is required to be

REVIEW OF CONSTRUCTION CONT.

achieved. At present, current water sales applications are 3,065 ML short of this target. TI is seeking further water sales to achieve the threshold target and will be conducting a second-round water sale around September 2015.

Duck Irrigation Scheme

The Duck Irrigation Scheme (formerly a component of the Circular Head Irrigation Scheme) is in the feasibility stage after board approval of the Preferred Option in June 2014. Expressions of interest totalled 27,000 ML for the original Circular Head Irrigation Scheme formed the basis of the scheme design to draw winter water from the Welcome, Montagu and Arthur rivers as well as a summer extraction from the Arthur River. Water sales in November 2014, designed to deliver 21,442 ML, failed to reach significant

levels in the Redpa and Marcus districts while attracting reasonable interest in the Duck district.

A stand-alone Duck Irrigation Scheme has been redesigned to deliver 5,000 ML and a water sales threshold of 4,500 ML. Water sales in June 2015 saw the scheme oversubscribed by a small margin. These water sales will inform the Business Case, which is planned to be completed by October 2015. The Business Case will then be provided to government, supported by private sector funding to seek both state and federal funding to enable the scheme to progress to tendering out contracts for construction.

Swan Valley Irrigation Scheme

This 2,000 ML scheme will supply irrigation water to land owners in the Swansea, Cranbrook and Apslawn region on the East Coast of Tasmania. This region has the climate, soils and aspects which are well suited to extensive horticulture production; however, unreliable rainfall patterns and a lack of alternative water sources has limited production from the existing enterprises and the development

of new ventures. The Swan Irrigation Scheme aims to improve the availability and surety of water to the region. There are numerous established viticultural operations, a number of significant walnut orchards as well as seed production and livestock finishing enterprises in the area, which will all use scheme water.

The scheme is based on harvesting water from the Swan River, under strict water licensing conditions, for storage in a new 3,000 ML dam on the Melrose property near Cranbrook. Water will then be delivered evenly over the 120-day irrigation season to participating land owners through a 38-km delivery network of underground pipes. Small amounts of boost pumping will be required to deliver the water from the storage dam to irrigators.

The business case for the scheme was approved by the Tasmanian State Government in January 2015 and the scheme has progressed to water sales. An initial water sale to landholders was held in March 2015 and offers received are being considered in the scheme design process. The intention is to have commenced construction by the end of 2015. Delivery of scheme water to participants is expected to commence by the 2017/18 irrigation season.

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 stakeholding ministers (the Minister for Primary Industries and Water and the Treasurer).

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

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

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.

The following tables outline Tasmanian Irrigation's main undertakings as at 30 June 2015:

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 hydraulic 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.

STATEMENT OF CORPORATE INTENT

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, Orielton, Forcett
Upper Ringarooma Irrigation Scheme	5,700	Ringarooma, Legerwood, Branxholm

STATEMENT OF CORPORATE INTENT CONT.

Irrigation schemes under investigation by Tasmanian Irrigation - future program

Irrigation Scheme	No. Irrigation Rights (ML)	Communities Benefiting
Duck Irrigation Scheme	5,000	Montagu, Stanley, Forest
North Esk Irrigation Scheme	2,850	Evandale
Scottsdale Irrigation Scheme	8,500	Scottsdale, Springfield, Bridport
Southern Highlands Irrigation Scheme	6,500	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	Meander Valley 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 stakeholding 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 below.

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 stakeholder ministers.

Tasmanian Irrigation's Key Performance Indicators Financial & Non-Financial

Business Area	Financial Key Performance Indicator	Key Performance Targets			
		2015-2016	2016-2017	2017-2018	2018-2019
Development	Budget Delivery – Schemes Developed Within Budget	100% (1 out of 1)	100% (2 out of 2)	100% (2 out of 2)	n/a
	Project Prefeasibility Overheads & Administration Costs	\$6.32m	\$5.84m	\$6.08m	n/a
	Post-Construction Water Sales	\$7.23m	\$7.82m	\$9.60m	\$4.89m
Operations	Overheads per ML of Water Entitlement Issued	\$17.94	\$17.96	\$17.98	\$17.98
	Fixed Revenue (exc. Asset Main) /Fixed Expense (%)	100%	100%	100%	100%
	Variable Revenue / Variable Expenses (%)	100%	100%	100%	100%
	Average Debtors Days	45 Days	45 Days	45 Days	45 Days
Ownership	Asset Renewal Levy / Asset Renewal Reserve (%)	100%	100%	100%	100%

STRATEGIC DIRECTION CONT.

Tasmanian Irrigation's Key Performance Indicators cont. Financial & Non-Financial

Business Area	Key Performance Indicator	Key Performance Targets			
		2015-2016	2016-2017	2017-2018	2018-2019
Health & Safety	Health & Safety Incidents (Loss Time & Medical Treatment)	Nil	Nil	Nil	Nil
	Hours of work per Positive Performance Indicator activity ³	40	40	40	40
Environment & Cultural Heritage	Number of significant incidents	Nil	Nil	Nil	Nil
	Annual Farm WAP Audits in Accordance with Irrigation District requirements	100%	100%	100%	100%
Development	Number of Approved Business Cases	1	Nil	Nil	Nil
	Number of Schemes in Construction	2	4	2	Nil
Operations	Delivery to Order Ratio	95%	95%	95%	95%
	Non-Planned Outages	5	5	5	5
	Actions Closed Out in Agreed Timeframe	100%	100%	100%	100%
Ownership	Average Review of Asset Management Plans	3 years, with none greater than 5 years	3 years, with none greater than 5 years	3 years, with none greater than 5 years	3 years, with none greater than 5 years

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

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 KMPG for 25 years specialising in primary industry, including private forestry. He is currently Chairman of the steel fabrication 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 year's 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 an elected Board member of the influential UK-based industry body - International Hydropower Association - where he held the position of Vice-President from 2001 to 2013.



GEOFF COFFEY

Geoff has a background in commerce, accounting, finance, infrastructure and public-private partnerships. He is a Director of Forestry Tasmania and Chairman of CEOS Pty Ltd. Geoff was previously Chairman of Utilities Trust of Australia and director of various companies in renewable energy, construction, property and manufacturing industries. Geoff has also held senior management and finance roles in construction, engineering, property and manufacturing industries.

BOARD OF DIRECTORS CONT.



JOHN WHITTINGTON

As of 11 April 2014, Tasmanian Irrigation Board Director Kim Evans nominated John Whittington to act in his place on the Board of Tasmanian Irrigation as an alternate director while Mr Evans acted in the role of Secretary of the Department of State Growth.

John has since been appointed as a Director and is also 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 Forest Practices Authority Board and Wellington Park Management Trust.

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



MICHELE ALLAN

Dr Michele Allan is a highly credentialed business manager and professional director specialising in primary industries.

Michele chairs the William Angliss Institute in Melbourne and the Grains and Legume Nutrition Council.

Michele is experienced in farm management systems and irrigated agriculture. Among her numerous directorships are positions on the boards of Meat and Livestock Australia, GrainGrowers, Innovation Australia and Forestry and Wood Products Australia.

Michele also is chair of audit and risk for Food Standards Australia and New Zealand. She is a former executive with Kraft Foods, Bonlac Foods Limited, ICI and Nestle.

Michele resigned from the Board in May 2015.



KIM EVANS

Kim has over 20 year's experience in the management of Tasmania's primary industries and natural resources. He represents the state on a number of state and national boards and committees including the Tasmanian Institute of Agriculture and the Institute for Marine and Antarctic Studies. Kim is the secretary of the Department of State Growth after previously acting as secretary of the Department of Primary Industries, Parks, Water & Environment.

He is also the State Government's representative on the Board of SALTAS, a company established to assist the development of the Tasmanian salmon and trout industry.

Kim is a graduate of the University of Tasmania where he completed his degree and honours majoring in science. He is also a member of the Australian Institute of Company Directors.

Kim resigned from the Board in February 2015.



FINANCIAL STATEMENTS

for the financial year
ended 30 June 2015

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Tasmanian Irrigation Proprietary Limited

Directors' report

For the year ended 30 June 2015

The directors present their report together with the financial report of Tasmanian Irrigation Proprietary Limited ("the Company") for the financial year ended 30 June 2015 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
Mr Geoff Coffey Independent Non-Executive Director Appointed 9/09/2008	Pacific Hydro Pty Ltd (resigned 31/12/14) CEOS Pty Ltd (Chairman) Coffey Consulting Services Pty Ltd Forestry Tasmania
Dr Michele Allan Independent Non-Executive Director Appointed 1/07/2013 Resigned 31/05/2015	William Angliss Institute Meat & Livestock Australia GrainGrowers Grape and Wine Research and Development Corporation The Hearing CRC Innovation Australia Grains and Legumes Nutrition Council
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 Forest Practices Authority Wellington Park Management Trust Tasmanian Institute of Agriculture Board (Chairman)
Mr Kim Evans Independent Non-Executive Director Appointed 9/09/2008 Resigned 12/02/2015	Institute for Marine and Antarctic Studies SALTAS Pty Ltd

Tasmanian Irrigation Proprietary Limited**Directors' report**

For the year ended 30 June 2015

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 2015 are:

Board Meetings

Director	Meetings attended	Max. No. possible
John Lord	11	11
Roger Gill	10	11
Geoff Coffey	11	11
Michele Allan	9	10
John Whittington	4	5
Kim Evans	0	6

Mr John Whittington attended 5 of the Board meetings as an alternate director for Mr Kim Evans.

Finance, Audit and Compliance Committee

Director	Meetings Attended	Max No possible
Roger Gill (Chairman)	3	4
Geoff Coffey	4	4
Michele Allan	2	3

Dr Michele Allan was Chairman until May 2015.

Remuneration Committee

Director	Meetings Attended	Max No possible
John Lord (Chairman)	1	1
Roger Gill	1	1
Kim Evans	0	1

Mr John Whittington attended 1 of the Remuneration Committee meetings as an alternate director for Mr Kim Evans.

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.

Tasmanian Irrigation Proprietary Limited

Directors' report

For the year ended 30 June 2015

3. Operating and financial review

Operations

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

During the financial year the company commissioned three additional irrigation schemes, the Midlands Water Scheme, the South East Stage 3 Irrigation Scheme and the Dial Blythe Irrigation Scheme. The Upper Ringarooma Irrigation Scheme is scheduled to be commissioned early August 2015.

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 \$89,974,403 after impairment of non-current assets of \$135,252,367 (2014: loss after restatement of \$3,867,015 after impairment of \$12,043,834 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 \$135,252,367 (2014: \$12,043,834) 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 three new schemes, Midlands Water Scheme, South East Stage 3 Irrigation Scheme and Dial Blythe 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 Federal Government funding component for the Dial Blythe Irrigation Scheme was funded via an alternate funding program and was directly recognised in the statement of profit and loss and comprehensive income upon commissioning of the scheme. The result of the Company's operations, excluding the sale of water entitlements and the impairment of non-current assets, was a surplus of \$10,359,198 (2014: deficit of \$150,566) primarily from the receipt of \$9,060,000 for the Dial Blythe Irrigation Scheme.

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 early 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 released tenders for the construction of the Southern Highlands Irrigation Scheme. Three of the remaining four schemes have undertaken water sales, with the Circular Head – Duck Irrigation Scheme being fully subscribed. The remaining three schemes are Scottsdale, Swan Valley and North Esk.

Tasmanian Irrigation Proprietary Limited**Directors' report**

For the year ended 30 June 2015

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, Parks, Water and Environment 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.

9. Auditor's independence declaration

The Auditor's independence declaration forms part of the directors' report for the financial year ended 30 June 2015.



John Lord
Chairman

Dated at Western Junction this 14th day of August 2015.



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

19 August 2015

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 2015, 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

...1 of 1

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Tasmanian Irrigation Proprietary Limited

Annual Report 2015

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 35 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 2015 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 - Commercial and Development for the financial year ended 30 June 2015.
3. The directors draw attention to note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards, and note 26 which includes a statement regarding the Company's dependence on Government contributions.

Signed in accordance with a resolution of the directors:

Dated at Western this 14th day of August 2015.



John Lord
Chairman



Independent Auditor's Report

To the Members of Tasmanian Irrigation Pty Ltd

Financial Report for the Year Ended 30 June 2015

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 2015 and the statements of profit or loss and 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 2015 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 2(a).

The Responsibility of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards 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 2(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.

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.

...1 of 2

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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* further promotes independence by:

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

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

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Tasmanian Audit Office



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

Hobart
19 August 2015

...2 of 2

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Tasmanian Irrigation Proprietary Limited

Annual Report 2015

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Statement of changes in equity
Statement of cash flows
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Notes to the financial statements

Tasmanian Irrigation Proprietary Limited
Statement of financial position
As at 30 June 2015

	Note	30 June 2015	30 June 2014 Restated*	1 July 2013 Restated*
Assets				
Cash and cash equivalents	15A	12,356,772	9,453,168	23,442,695
Trade and other receivables	14	6,745,356	1,910,463	3,602,423
Inventories	13	224,376	203,873	260,581
Prepayments		229,798	311,984	212,399
Other financial assets	10	595,294	782,866	1,955,211
Total current assets		20,151,596	12,662,354	29,473,309
Other financial assets	10	1,792,745	2,474,317	4,274,117
Property, plant and equipment	9	59,264,063	154,910,930	88,225,684
Other assets	12	961,417	516,348	426,348
Total non-current assets		62,018,225	157,901,595	92,926,149
Total assets		82,169,821	170,563,949	122,399,458
Liabilities				
Trade and other payables	21	6,006,389	10,036,756	13,670,807
Loans and borrowings	17	15,287,228	13,933,840	1,337,502
Provisions	18	407,182	328,535	468,560
Deferred income	19	11,017,188	15,983,963	10,725,806
Unearned revenue	20	2,133,997	10,175,985	4,221,389
Total current liabilities		34,851,984	50,459,079	30,424,064
Loans and borrowings	17	15,715,701	17,252,929	18,686,769
Provisions	18	404,210	357,912	260,819
Total non-current liabilities		16,119,911	17,610,841	18,947,588
Total liabilities		50,971,895	68,069,920	49,371,652
Net assets		31,197,926	102,494,029	73,027,806
Equity				
Share capital	16	161,821,192	143,142,892	109,809,654
Reserves	16	-	-	-
Retained earnings/(accumulated losses)		(130,623,266)	(40,648,863)	(36,781,848)
Total equity		31,197,926	102,494,029	73,027,806

* Refer to note 3(l)

The notes on pages 8 to 36 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 2015

	Note	2015	2014 Restated*
Continuing operations			
Revenue	6	41,861,613	12,156,117
Government contributions	6	15,247,182	5,769,368
Other income	6	898,617	626,550
Finance income	6	228,564	397,019
		58,235,976	18,949,054
Depreciation and amortisation	7	(693,702)	(567,149)
Employee benefits	7	(4,156,162)	(3,767,221)
Impairment expense current assets	7	(58,223)	(482,382)
Impairment expense non-current assets	7	(135,252,367)	(12,043,834)
Operations and maintenance expenses	7	(4,644,422)	(2,823,628)
Administrative expenses	7	(1,262,096)	(1,397,206)
Finance costs	8	(2,143,407)	(1,734,649)
Loss from continuing operations		(89,974,403)	(3,867,015)
Tax (expense) benefit	11	-	-
Profit (loss) for the year after tax before comprehensive income		(89,974,403)	(3,867,015)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive profit (loss) for the year		(89,974,403)	(3,867,015)

* Refer to note 3(l)

The notes on pages 8 to 36 are an integral part of these financial statements.

Tasmanian Irrigation Proprietary Limited
Statement of changes in equity
For the year ended 30 June 2015

	Attributable to owners of the Company		
	Share capital	Retained earnings (losses)	Total equity
Balance at 1 July 2013 - restated*	109,809,654	(36,781,848)	73,027,806
Total comprehensive income for the year			
Profit or loss	-	(3,867,015)	(3,867,015)
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	(3,867,015)	(3,867,015)
Transactions with owners, recorded directly in equity			
Capital contributions from Government	16 33,333,238	-	33,333,238
Total contributions by and distributions to owners of the Company	33,333,238	-	33,333,238
Change in ownership interests in subsidiaries			
Transfers between equity components			
Transfer between reserves	-	-	-
Total transfer between equity components	-	-	-
Balance at 30 June 2014 - restated*	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	16 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

* Refer to note 3(l)

The notes on pages 8 to 36 are an integral part of these financial statement

Tasmanian Irrigation Proprietary Limited
Statement of cash flows
For the year ended 30 June 2015

	Note	2015	2014
Cash flows from operating activities			
Cash receipts from customers		2,981,362	13,514,134
Cash receipts from Government grants		6,657,471	8,389,173
Cash paid to suppliers and employees		(9,587,722)	(15,509,795)
Cash generated from operations		51,111	6,393,512
Interest received		228,564	785,913
Payment of interest on borrowings		(2,143,407)	(1,734,649)
Net cash from (used in) operating activities	15B	(1,863,732)	5,444,776
Cash flows from investing activities			
Cash receipts from water entitlements		27,125,822	16,759,126
Proceeds from sale of property, plant and equipment		129,425	134,454
Payments for property, plant and equipment		(44,365,375)	(83,068,658)
Proceeds from investments		27,355	(90,000)
Net cash used in investing activities		(17,082,773)	(66,265,078)
Cash flows from financing activities			
Capital contributions from Government		22,033,949	35,668,277
Repayment of borrowings		(183,840)	11,162,498
Net cash from financing activities		21,850,109	46,830,775
Net decrease in cash and cash equivalents		2,903,604	(13,989,527)
Cash and cash equivalents at 1 July		9,453,168	23,442,695
Cash and cash equivalents at 30 June	15A	12,356,772	9,453,168

The notes on pages 8 to 36 are an integral part of these financial statements.

Tasmanian Irrigation Proprietary Limited

Index to notes to the financial statements

Index to significant accounting policies

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Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

1. 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, where feasible and appropriate, to facilitate local community management of these schemes.

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.

2. 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 14 August 2015.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

(c) Functional and presentation currency

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

Tasmanian Irrigation Proprietary Limited**Notes to the financial statements****2. Basis of preparation (continued)****(d) Use of estimates and judgements**

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note 9 – impairment of property, plant and equipment.

3. Significant accounting policies**(a) Financial instruments****(i) Financial assets**

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.

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.

Loans and receivables

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 note 3(d)(i)).

Loans and receivables comprise trade and other receivables and other financial assets.

Cash and cash equivalents

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.

(ii) 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 loans and borrowings, and trade and other payables.

The Company has no derivative financial liabilities.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

3. Significant accounting policies (continued)

(b) Property, plant and equipment

(i) Recognition and measurement

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.

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.

(ii) 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.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- | | |
|-----------------------|--------------|
| • dams and pipelines | 100 years |
| • drains | 50 years |
| • plant and equipment | 5 - 20 years |
| • pump stations | 25 years |
| • meters and pumps | 25 years |
| • vehicles | 5 years |

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

Tasmanian Irrigation Proprietary Limited**Notes to the financial statements****3. Significant accounting policies (continued)****(c) Inventories**

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.

(d) Impairment**(i) Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor and indications that a debtor or issuer will enter bankruptcy.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories (refer note 3(c)) and deferred tax assets (refer note 3(i)), 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. 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

3. Significant accounting policies (continued)

(e) Employee benefits

(i) 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. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Long service leave

The Company's net obligation in respect of 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.

(iii) 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 3(b)(i).

(f) Revenue

Revenues are recognised in the statement of 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) Revenues from Government

Government contributions are recognised in accordance with the treatment as described at note 3(g).

(ii) Irrigation water charges

Amounts earned in exchange for provision of goods and services are recognised when goods or services are provided.

(iii) Proceeds from the disposal of assets

Revenue from the sale of non-current assets is recognised when control of the asset has passed to the buyer.

(iv) Electricity generation

Revenue from electricity generation is recognised in profit and loss as it is generated. Renewable Energy Certificates are created quarterly and sold on the spot market as and when the Company has determined the risk of holding the certificates outweighs the spot price being offered in the market.

(v) Asset renewal levy

Asset renewal levies are collected from Irrigators 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.

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 detailed in Note 19 were for the purposes of asset renewal.

Tasmanian Irrigation Proprietary Limited**Notes to the financial statements****3. Significant accounting policies (continued)****(f) Revenue (cont.)****(vi) Water entitlement revenue**

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

(g) Government funding

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 Tasmanian 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.

(h) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is 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.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets.

(i) Taxation

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*.

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

3. Significant accounting policies (continued)

(i) Taxation (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.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Company does not distribute non-cash assets as dividends to its shareholders.

(j) 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.

(k) Operating 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.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

(I) Change in accounting policy

From 1 July 2014, the company changed the accounting policy for the recognition of asset renewal levy. The change in policy now recognises the asset renewal levy reserve, previously recorded as equity, as income / deferred income. The change has been applied retrospectively in the financial report. The following table summarises the adjustments from the implementation of the new accounting policy:

	Asset renewal levy reserve	Deferred Income - Asset renewal levy	Retained earnings
Balances at 1 July 2013 previously reported	1,004,981	-	(36,805,174)
Impact of the change in accounting policy	(1,004,981)	981,655	23,326
Restated balances at 1 July 2013	-	981,655	(36,781,848)
Balances at 30 June 2014 previously reported	1,364,713	-	(40,728,220)
Impact of the change in accounting policy	(1,364,713)	1,284,968	79,745
Other adjustments recognised through profit and loss			(388)
Restated balances at 30 June 2014	-	1,284,968	(40,648,863)

The effect on the statement of profit or loss and other comprehensive income were as follows:

Decrease in tax expense	-
Increase / Decrease in profit for the year	(28,833)

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, 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 2014- 8 and 2014- 7 'Amendments to Australian Accounting Standards arising from AASB 9 - In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model, which completes the international equivalent standard IFRS 9. IFRS 9 [2014] supersedes the previous versions that were issued in October 2010 (IFRS 9 [2010]) and November 2009 (IFRS 9 [2009]). This standard forms part of the IASB's comprehensive project to replace IAS 39 (AASB 139).
- The standard was released by the AASB in December 2014 and became available for early adoption for financial years beginning on or after 24 July 2014. The standard represents a significant change in the accounting for financial assets and liabilities, including hedging arrangements. The impacts of these amendments, which become mandatory for Tasmanian Irrigation's 30 June 2019 financial statements, have not yet been quantified, however it will impact the level of disclosure around financial instruments.
- AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standard 15 – 'Revenue from Contracts with Customers' – The IASB issued a new standard for the recognition of revenue. This standard will replace AASB 118 and AASB 111, which cover contracts for goods and services and construction contracts, respectively. The effective date for mandatory adoption of the standard is in financial years beginning on or after 1 July 2017 and are not expected to have material impact.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

5. 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 that 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 Finance, Audit and Compliance Committee.

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

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

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 22.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

6. Revenue

	2015	2014
Revenue		
Irrigation water charges	4,359,781	2,550,055
Interest revenue from operations		
Meander Valley Irrigation Scheme 5 year fixed plans	12,186	34,757
Meander Valley Irrigation Scheme 10 year fixed plans	227,603	278,858
Meander Valley Irrigation Scheme deferred purchase	-	75,280
	239,789	388,894
Renewable energy generation		
Electricity generation	969,598	518,240
Renewable energy certificates	1,373,679	371,543
	2,343,277	889,783
	6,942,847	3,828,732
Water entitlement revenue		
Lower South-East Irrigation Scheme	-	6,198,660
Kindred North Motton Irrigation Scheme	186,000	1,856,400
South-East Irrigation Scheme	6,304,500	4,725
Headquarters Road Dam	42,000	267,600
Dial Blythe Irrigation Scheme	2,352,000	-
Meander Irrigation Scheme	238,400	-
Winnaleah Augmentation	620,100	-
Midlands Irrigation Scheme	25,175,766	-
	34,918,766	8,327,385
Total revenue	41,861,613	12,156,117
Government grants		
Grants received for operational funding	15,247,182	5,769,368
	15,247,182	5,769,368
Finance income		
Interest	220,744	386,081
Late fees	7,820	10,938
	228,564	397,019
Other income		
Asset renewal levy	143,118	24,175
Rent received	-	6,803
Gain on sale of non-current assets	-	101,849
Miscellaneous	755,499	493,723
	898,617	626,550

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

7. Expenses

	Note	2015	2014
Depreciation and amortisation			
Water plant and facilities		465,972	322,629
Other equipment		227,730	244,520
		693,702	567,149
Employee benefits			
Salaries and wages		5,431,551	5,345,380
Salary allocated to operations		(1,026,990)	(795,030)
Other salary recoveries		(544,882)	(320,646)
Salaries and wages capitalised		(1,058,272)	(1,797,850)
Other employee entitlements		896,077	872,486
Superannuation		458,678	462,881
		4,156,162	3,767,221
Impairment of current assets			
Trade receivables		58,223	(12,618)
Meander Valley Irrigation Scheme fixed repayment plans		-	495,000
		58,223	482,382
Impairment of non-current assets			
Land	9	-	-
Dams	9	10,960,525	2,197,177
Water infrastructure	9	124,291,842	9,846,657
		135,252,367	12,043,834
Operations and maintenance expenses			
Contractors and consultants		1,044,684	969,319
Maintenance		310,803	136,825
Water purchases		1,398,181	291,398
Power charges		719,248	502,495
Rates, land tax and insurances		196,464	174,732
Other operations and maintenance expenses		789,845	748,859
Loss on sale of non-current assets		185,197	-
		4,644,422	2,823,628
Administration expenses			
External Audit fees		37,981	36,210
Internal Audit fees		7,500	40,350
Advertising and promotion		98,239	68,696
Printing and publications		4,144	6,164
Travel expenses *		134,410	156,515
Information technology and communication expenses		352,053	336,214
Training and professional development		129,881	81,826
Rental expenses		82,663	129,164
Other administration expenses		415,225	542,067
		1,262,096	1,397,206

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

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

8. Finance costs

	2015	2014
Finance costs		
Interest on loans	1,902,056	1,565,314
Guarantee fee	231,004	155,940
Collection costs	10,347	13,395
	<u>2,143,407</u>	<u>1,734,649</u>

9. Property, plant and equipment

Note	Land and buildings	Dams	Water infrastructure	Other equipment	Total
Gross carrying amount					
Balance at 1 July 2013	337,823	34,299,804	109,503,089	1,148,234	145,288,950
Additions (i)	-	814,742	78,007,293	506,340	79,328,375
Disposals	-	-	-	(111,330)	(111,330)
Balance at 30 June 2014	<u>337,823</u>	<u>35,114,546</u>	<u>187,510,382</u>	<u>1,543,244</u>	<u>224,505,995</u>
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	<u>135,772</u>	<u>45,070,082</u>	<u>217,659,197</u>	<u>1,839,605</u>	<u>264,704,656</u>
Depreciation and impairment losses					
Balance at 1 July 2013	(110,000)	(21,915,795)	(34,347,781)	(689,690)	(57,063,266)
Depreciation for the year	-	(150,868)	(171,761)	(244,061)	(566,690)
Impairment loss (ii)	-	(2,197,177)	(9,846,657)	-	(12,043,834)
Disposals	-	-	-	78,725	78,725
Balance at 30 June 2014	<u>(110,000)</u>	<u>(24,263,840)</u>	<u>(44,366,199)</u>	<u>(855,026)</u>	<u>(69,595,065)</u>
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	<u>(110,090)</u>	<u>(36,889,985)</u>	<u>(167,457,966)</u>	<u>(982,552)</u>	<u>(205,440,593)</u>
Carrying amounts					
at 1 July 2013	227,823	12,384,009	75,155,308	458,544	88,225,684
at 30 June 2014	<u>227,823</u>	<u>10,850,706</u>	<u>143,144,183</u>	<u>688,218</u>	<u>154,910,930</u>
at 30 June 2015	<u>25,682</u>	<u>8,180,097</u>	<u>50,201,231</u>	<u>857,053</u>	<u>59,264,063</u>

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

9. Property, plant and equipment (cont.)

(i) Additions

The additions to property, plant and equipment relate to:

	2015	2014
Work in progress - Midlands Water Scheme	6,519,171	40,062,302
Work in progress - Kindred North Motton Irrigation Scheme	-	2,026,746
Work in progress - South East Irrigation Scheme	14,135,401	15,727,870
Work in progress - Upper Ringarooma Irrigation Scheme	9,157,933	15,889,214
Work in progress - Dial Blythe Irrigation Scheme	9,520,844	4,315,688
Work in progress - Headquarters Road Dam	6,104	147,307
Work in progress - Scottsdale	116,564	448,283
Work in progress - Southern Highlands Irrigation Scheme	274,873	71,496
Work in progress - Meander Valley	94,271	-
Work in progress - Circular Head Irrigation Scheme	146,548	-
Work in progress - North Esk Irrigation Scheme	66,956	-
Work in progress - Swan Valley Irrigation Scheme	187,167	-
Other assets	287,655	639,469
	40,513,487	79,328,375

(ii) Impairment loss

During the year ended 30 June 2015, the Midlands Water Scheme, the Dial Blythe Irrigation Scheme and the South East Stage 3 Irrigation Scheme were commissioned. At this point, the Company has assessed the recoverable amount of the schemes in accordance with the accounting policy in Note 3(d)(ii). Each scheme is considered to be a cash-generating unit (CGU) in the context of the accounting policy. The recoverable amount of the CGU was estimated based on its value in use. In determining the value in use for each scheme, the Company projects the future cash inflows and outflows that will arise from the continuing use of the scheme, and applies a discount rate relevant to the scheme.

The estimate of value in use was determined using a pre-tax discount rate of 7%. This rate is based on the current recommended Infrastructure Australia discount rate for assets of this nature.

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 3(g)); and
- sale of water entitlements is recognised as revenue in the statement of profit or loss and other comprehensive income (note 3(f)(v)).

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

9. Property, plant and equipment (continued)

(ii) Impairment loss (cont.)

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

	30 June 2015			30 June 2014		
	Government contributions	Sale of water entitlements and other revenue	Total	Government contributions	Sale of water entitlements and other revenue	Total
Headquarters Road Dam	2,124,000	3,919,550	6,043,550	2,124,000	3,666,051	5,790,051
Sassafras Wesley Vale Irrigation Scheme	6,114,000	5,714,320	11,828,320	6,114,000	5,713,068	11,827,068
Whitemore Irrigation Scheme	5,050,000	4,867,962	9,917,962	5,050,297	4,808,223	9,858,520
Winnaleah Irrigation Scheme	6,491,624	4,050,512	10,542,136	6,491,624	3,212,199	9,703,823
Meander Valley Irrigation Scheme *	-	6,482,161	6,482,161	-	5,188,839	5,188,839
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	11,014,187	2,190,986	13,205,173	-	-	-
South East Irrigation Scheme (Stages 1-3)	25,417,508	4,853,844	30,271,352	-	-	-
Midlands Water Scheme	65,487,723	23,821,858	89,309,581	-	-	-
Togari, Montagu and Rileys Creek Schemes *	-	200,904	200,904	-	180,809	180,809
	138,119,987	64,511,596	202,631,583	36,200,866	31,178,688	67,379,554

* Funded by government prior to acquisition by the Company

Following the recognition of impairment losses, the carrying values of these schemes included in property, plant and equipment, representing unsold water entitlements, are as follows:

	2015	2014
Headquarters Road Dam	101,911	355,470
Sassafras Wesley Vale Irrigation Scheme	23,767	27,204
Whitemore Irrigation Scheme	1,575,615	1,662,937
Winnaleah Irrigation Scheme	313,244	1,168,348
Meander Valley Irrigation Scheme	10,138,454	11,483,705
Kindred North Motton Irrigation Scheme	371,549	380,096
Dial Blythe Irrigation Scheme	672,454	-
South East Irrigation Scheme (Stages 1-3)	1,607,046	-
Midlands Water Scheme	3,963,324	-
Togari, Montagu and Rileys Creek Schemes	382,619	410,883
	19,149,983	15,488,643

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

10. Other financial assets

	2015	2014
Non-current assets		
Meander Valley Irrigation Scheme fixed repayment plans - 5 years	-	12,330
Meander Valley Irrigation Scheme fixed repayment plans - 10 years	2,089,745	2,758,987
Meander Valley Irrigation Scheme - impairment of repayment plan - 10 years	(297,000)	(297,000)
	<u>1,792,745</u>	<u>2,474,317</u>
Current assets		
Meander Valley Irrigation Scheme fixed repayment plans - 5 years	12,330	218,031
Meander Valley Irrigation Scheme fixed repayment plans - 10 years	582,964	564,835
	<u>595,294</u>	<u>782,866</u>

11. Taxation

Current tax expense

	2015	2014
Tax recognised in profit or loss		
Current tax expense		
Current year	-	-
Adjustment for prior periods	-	-
	<u>-</u>	<u>-</u>

Deferred tax expense

Origination and reversal of temporary differences		
Decrease (increase) in deferred tax asset	(5,381,626)	(18,807,901)
Increase (decrease) in deferred tax liability	(21,610,695)	17,647,796
Tax benefits not recognised	26,992,321	1,160,192
Adjustment for prior years	-	(87)
Net income tax expense attributable to continuing operations	<u>-</u>	<u>-</u>
Total tax expense	<u>-</u>	<u>-</u>
Attributable to:		
Continuing operations	<u>-</u>	<u>-</u>

Numerical reconciliation between tax expense and pre-tax net profit

	2015	2014
Profit from operations	(89,974,403)	(3,867,015)
Income tax expense calculated at 30%	(26,992,321)	(1,160,105)
Adjustment for prior years		(87)
Tax benefit not recognised	26,992,321	1,160,192
Income tax expense	<u>-</u>	<u>-</u>

Unrecognised deferred tax assets

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

	2015	2014
(Assessable) deductible temporary differences	1,671,239	(20,026,979)
Tax losses	36,800,348	31,506,245
	<u>38,471,587</u>	<u>11,479,266</u>

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

11. Taxation (cont.)

Unrecognised deferred tax assets (cont.)

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.

Movement in deferred tax balances during the year

	Balance 1 July 2014	Recognise d in profit or loss	Tax benefit derecognise d	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

	Balance 1 July 2013	Recognise d in profit or loss	Tax benefit derecognise d	Balance 30 June 2014	Opening balance not recognised 1 July 2013	Current year movement not recognised	Total tax benefit derecognised at 30 June 2014
Property, plant and equipment	-	(17,722,602)	17,722,602	-	(2,579,601)	(17,722,602)	(20,302,203)
Trade and other receivables	-	(3,699)	3,699	-	29,207	(3,699)	25,508
Inventories	-	17,012	(17,012)	-	(78,175)	17,012	(61,163)
Provisions	-	33,953	(33,953)	-	171,982	33,953	205,935
Other items	-	148,495	(148,495)	-	(43,551)	148,495	104,944
Tax loss carry-forwards	-	18,687,033	(18,687,033)	-	12,819,212	18,687,033	31,506,245
	-	1,160,192	(1,160,192)	-	10,319,074	1,160,192	11,479,266

12. Other assets

	2015	2014
Cressy Longford Irrigation Scheme Limited	193,556	193,556
Winnaleah Irrigation Scheme Limited	232,792	322,792
Winnaleah Irrigation Scheme Limited - Augmentation loan	535,069	-
	961,417	516,348

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

13. Inventories

Water stock on hand

Huntsman Lake - Meander Valley Irrigation Scheme
Floods Creek
Milford Dam
Sprent Dam
Liffey Holding Dam
Craigbourne Dam
Daisy Banks Dam
Great Bend Reservoir
Headquarters Road Dam

2015	2014
59,473	102,935
17	-
82,070	30,888
517	3,891
53	240
22,566	36,758
38,273	29,120
7	41
21,400	-
224,376	203,873

14. Trade and other receivables

Trade receivables (i)
Impairment of trade receivables
Goods and services tax receivable
Accrued income

2015	2014
5,589,614	1,050,214
(143,254)	(85,031)
-	324,679
1,298,996	620,601
6,745,356	1,910,463
-	-
6,745,356	1,910,463
6,745,356	1,910,463

Non-current
Current

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

Ageing of past due but not impaired

31 - 60 days
60+ days

2015	2014
2,523,761	143,600
811,187	141,179
3,334,948	284,779

Movement in the allowance for impairment

Balance at the beginning of the year
Impairment losses recognised on receivables
Reversal of impairment recognised on recovered receivables
Impaired receivables written-off during year
Balance at the end of the year

(85,031)	(97,649)
(71,014)	(148,034)
12,791	26,268
-	134,384
(143,254)	(85,031)

In determining the recoverability of a trade receivable, 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

Information about the Company's exposure to credit and market risks is included in note 22.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

15A. Cash and cash equivalents

	2015	2014
Bank balances	11,997,018	9,149,693
Term deposits	-	-
Short-term investments		
Investments at call with Tascorp	359,754	303,475
Cash and cash equivalents in the statement of cash flows	12,356,772	9,453,168

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

15B. Reconciliation of cash flows from operating activities

	2015	2014
Cash flows from operating activities		
Profit (loss) for the period	(89,974,403)	(3,867,015)
Adjustments for:		
Depreciation and amortisation	693,702	567,149
Impairment of current assets	58,223	482,382
Impairment of non-current assets	135,252,367	12,043,834
Proceeds from sales of water entitlements recognised as investing income	(26,256,678)	(14,281,981)
Grant income reallocated to equity funding	(3,355,649)	(2,335,039)
(Gain) loss on sale of non-current assets	185,197	(101,849)
	16,602,759	(7,492,519)
Change in trade and other receivables	(4,893,116)	1,704,578
Change in prepayments	82,186	(99,585)
Change in inventories	(20,503)	56,708
Change in other assets	(445,069)	-
Change in trade and other payables	(355,084)	105,773
Change in provisions and employee benefits	173,858	(42,932)
Change in deferred income	(4,966,775)	5,258,157
Change in unearned revenue	(8,041,988)	5,954,596
Net cash from operating activities	(1,863,732)	5,444,776

16. Capital and reserves

Share capital

	Ordinary shares	
	2015	2014
On issue at 1 July	143,142,892	109,809,654
Government contributions	18,678,300	33,333,238
On issue at 30 June	161,821,192	143,142,892

Ordinary shares

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

16. Capital and reserves (continued)

Asset renewal reserve

Due to a change in accounting policy, the asset renewal levy is no longer accounted for as a reserve. Refer to note 3(l) for further details around changes to accounting policies.

17. Loans and borrowings

Current liabilities

Secured loans - Tascorp

	2015	2014
Secured loans - Tascorp	15,287,228	17,252,929
	15,287,228	17,252,929
Non-current liabilities		
Secured loans - Tascorp	15,715,701	13,933,840
	15,715,701	13,933,840

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Year of maturity	30 June 2015		30 June 2014	
			Face value	Carrying amount	Face value	Carrying amount
Secured loans - Tascorp	3.40% - 7.64%	2017 - 2023	31,002,929	31,002,929	31,186,769	31,186,769
Total interest-bearing liabilities			31,002,929	31,002,929	31,186,769	31,186,769

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 22.

18. Provisions - Employee benefits

Current liabilities

Employee benefits

	2015	2014
Employee benefits	407,182	328,535
	407,182	328,535
Non-current liabilities		
Employee benefits	404,210	357,912
	404,210	357,912

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

(i) Deferred income

	Note	2015	2014
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		(1,089,989)	(292,761)
		6,480,011	7,277,239
Operational grants		2,395,424	6,502,256
Asset renewal levies	19(i) & 3(l)	1,738,775	1,284,968
Project contributions - Farm Water Access Plans		292,978	699,500
Government contributions - Farm Water Access Plans		110,000	220,000
		11,017,188	15,983,963

(ii) Asset renewal levies – componential breakdown

	Note	2015	2014
<i>Non-Current</i>			
Cash held - scheme accounts		1,686,309	1,256,660
Outstanding debtors		81,317	47,050
Accrued ARL income current year		55,395	-
Other		(84,246)	(18,742)
		1,738,775	1,284,968

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

19. Deferred income (cont.)

(iii) Asset renewal levies – by scheme

The asset renewal levy is an annual fee which is levied on each irrigator for all of the Company's operating irrigations 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 detailed in Note 19 were for the purposes of asset renewal.

30 June 2015

	Opening balance	Revenue	Expenditure	Movement	Closing balance
Headquarters Road Dam	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
Meander Valley Irrigation Scheme	140,277	74,069	(124,822)	(50,753)	89,524
Kindred North Motton Irrigation Scheme	30,220	42,076	-	42,076	72,296
South East Irrigation Scheme (Stages 1-2)	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

(iii) Asset renewal levies – by scheme (cont.)

30 June 2014

	Opening balance	Revenue	Expenditure	Movement	Closing balance
Headquarters Road Dam	12,535	6,824	-	6,824	19,359
Sassafras Wesley Vale Irrigation Scheme	95,319	50,673	-	50,673	145,992
Whitemore Irrigation Scheme	66,258	34,360	-	34,360	100,618
Cressy Longford Irrigation Scheme	303,332	20,450	-	20,450	323,782
Winnaleah Irrigation Scheme	381,906	50,794	(24,175)	26,619	408,525
Meander Valley Irrigation Scheme	82,008	58,269	-	58,269	140,277
Kindred North Motton Irrigation Scheme	-	30,220	-	30,220	30,220
South East Irrigation Scheme (Stages 1-2)	40,229	42,483	-	42,483	82,712
Lower South Esk Irrigation Scheme	-	33,483	-	33,483	33,483
	981,587	327,556	(24,175)	303,381	1,284,968

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

20. Unearned revenue

	2015	2014
Water entitlement deposits	2,133,997	10,175,985
	<u>2,133,997</u>	<u>10,175,985</u>

21. Trade and other payables

Trade payables

	2015	2014
Trade payables (i)	458,058	329,927
Accrued expenses	5,389,650	9,559,655
Interest payable	144,019	147,174
Goods and services tax payable	14,662	-
	<u>6,006,389</u>	<u>10,036,756</u>

- (i) The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest may be charged on the outstanding balance. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

22. Financial instruments – risk management and fair values

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 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 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 Committee.

Categories of financial instruments

Financial assets

Cash and cash equivalents
Loans and receivables

Financial liabilities

Financial liabilities measured at amortised cost

Note	2015	2014
15A	12,356,772	9,453,168
	9,133,395	5,167,646
	21,490,167	14,620,814
	37,011,333	41,223,525
	37,011,333	41,223,525

Credit risk

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

Exposure to credit risk

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

	Note	Carrying amount 2015	2014
Trade and other receivables	14	6,745,356	1,910,463
Other financial assets	10	2,388,039	3,257,183
		9,133,395	5,167,646

Tasmanian Irrigation Proprietary Limited**Notes to the financial statements****22. Financial instruments – risk management and fair values (continued)****Credit risk (continued)***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.

Cash and cash equivalents

The Company held cash and cash equivalents of \$12,356,772 at 30 June 2015 (2014: \$9,453,556), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties.

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 following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

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	3,598,241	12,117,460
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	3,611,389	12,117,460

30 June 2014

	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	31,186,769	31,186,769	12,500,000	62,457	1,371,383	14,991,368	2,261,561
Loan from RWSC	-	-	-	-	-	-	-
Trade and other payables	10,036,756	10,036,756	9,889,582	10,289	136,885	-	-
	41,223,525	41,223,525	22,389,582	72,746	1,508,268	14,991,368	2,261,561

Market risk

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

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

22. Financial instruments – risk management and fair values (continued)

Interest rate risk

Profile

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

	Carrying amount	
	2015	2014
Fixed rate instruments		
Financial assets	21,490,167	3,257,183
Financial liabilities	(37,011,333)	(31,186,769)
	(15,521,166)	(27,929,586)
Variable rate instruments		
Financial assets	12,356,772	9,453,168
Financial liabilities	-	-
	12,356,772	9,453,168

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 2015 would increase/decrease by \$123,568 (2014: \$94,536). 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 following financial assets and financial liabilities are not measured at fair value:

- Trade and other receivables
- Cash and cash equivalents
- Secured loans – Tascorp
- Trade payables

23. Contingencies

The Company has no contingent assets or liabilities.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

24. Related Parties

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 2015

	Director's fees	Committee fees	Superannuation ¹	Other	Total 2014/15
John Lord	96,000	-	9,120	-	105,120
Roger Gill	62,000	-	5,890	-	67,890
Geoff Coffey	52,000	-	4,940	-	56,940
Michele Allan	47,667	-	4,528	-	52,195
Kim Evans	-	-	-	-	-
John Whittington	-	-	-	-	-

Year ended 30 June 2014

	Director's fees	Committee fees	Superannuation ¹	Other	Total 2013/14
John Lord	96,000	-	8,880	-	104,880
Roger Gill	62,000	-	5,735	-	67,735
Geoff Coffey	52,000	-	4,810	-	56,810
Michele Allan	54,022	-	4,997	-	59,019
Kim Evans	-	-	-	-	-

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

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 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 *	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 & Development	178,215	-	-	20,495	10,688	-	12,231	221,629

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

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

24. Related Parties (cont.)

Executive remuneration (cont.)

Year ended 30 June 2014

	Salary ¹	Short term incentives ²	Termination benefits ³	Superannuation ⁴	Vehicles ⁵	Other benefits ⁶	Other non-monetary benefits ⁷	Total 2013/14
Christopher Oldfield CEO	349,951	-	-	32,340	4,809	9,500	2,714	399,314
Gregory Stanford Deputy CEO	262,028	-	-	28,703	7,172	-	18,011	315,914
Mike O'Shea GM - Operations	145,572	-	-	13,188	1,070	-	(1,957)	157,873
Luke Curtain GM – Commercial & Development	171,360	-	-	19,278	5,648	-	9,744	206,030

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 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

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

24. Related Parties (continued)

Remuneration policies (cont.)

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

The employment terms and conditions of senior executives are contained in individual employment contracts 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.

Transactions with key management personnel

There have been no transactions with key management personnel of the Company besides ordinary compensation.

The Company's key management personnel are:

Senior executives

- Chris Oldfield – Chief Executive Officer
- Gregory Stanford – Deputy Chief Executive Officer (moved to part time as Contracts and Engineering Adviser effective 19/01/2015)
- Mike O'Shea – General Manager - Operations
- Luke Curtain – General Manager – Commercial and Development

Directors

- John Lord – Chairman
- Roger Gill – Deputy Chairman
- Geoff Coffey – Director
- Michelle Allan – Director (resigned 31/05/2015)
- Kim Evans – Director (resigned 12/02/2015)
- John Whittington – Alternate Director (resigned 31/01/2015) Director (appointed 1/02/2015)

25. Operating segments

The Company has identified the following reportable segments which differ in the nature of services provided. For each of the reportable segments, the Company's Chief Executive Officer (CEO) reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Company's reportable segments:

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

25. Operating segments (continued)

Development - The Company has been instructed by the Tasmanian 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 and South East Stage 3 Irrigation Scheme. Currently in the process of commissioning is the Upper Ringarooma Irrigation Scheme. This scheme completes 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 released tenders for the construction of the Southern Highlands Irrigation Scheme. Three of the remaining four schemes have undertaken water sales, with the Circular Head – Duck Irrigation Scheme being fully subscribed. The remaining three schemes are Scottsdale, Swan Valley and North Esk.

Losses in the Development segment of the company largely relate to impairment. Tranche one projects had Government contributions recognised directly to equity, whereas the sale of water entitlements and impairment expenses are recognised in the statement of profit or loss.

Operations – The Company manages the operations of eight 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.

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.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

25. Operating segments (continued)

Information related to each reportable segment is set out below.

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)	(182,753)	-	(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)

Year ended 30 June 2014

	Development	Operations	Mini-hydros	Total
External revenue	15,086,390	2,972,881	889,783	18,949,054
Inter-segment revenue	-	-	-	-
Segment revenue	15,086,390	2,972,881	889,783	18,949,054
Segment profit/(loss) before tax	(4,129,667)	(231,372)	494,024	(3,867,015)
Interest income	746,142	28,834	-	774,976
Interest expense	(1,528,164)	(12,367)	(194,118)	(1,734,649)
Depreciation and amortisation	(467,193)	(27,345)	(72,611)	(567,149)
Other material non-cash items:				
- impairment of property, plant and equipment	(12,043,834)	-	-	(12,043,834)
Segment assets	162,087,767	3,746,791	4,729,391	170,563,949
Capital expenditure	79,238,376	-	-	79,238,376
Segment liabilities	(65,133,481)	(409,076)	(2,527,363)	(68,069,920)

26. Government dependency

The Company receives contributions from the State Government to meet its annual operating expenditure associated with the investigation and development of irrigation schemes. In addition, the Company received contributions from the State and Federal Government towards the construction of approved capital projects. During the year the Company received \$28,691,420 (2014: \$44,057,451) of which \$26,975,949 (2014: \$39,786,278) represented contributions to capital projects and \$1,715,471 (2014: \$4,271,173) represented operating grant receipts. During the year there was a reclassification of \$3,355,650 (2014: \$2,335,039) to cover the Companies annual operating expenditure. These funds had been received in prior years to contribute towards working capital shortfall. The State Government has undertaken to provide the Company with ongoing specified equity, and the Company is dependent upon receiving such funds.

Tasmanian Irrigation Proprietary Limited

Notes to the financial statements

27. Subsequent events

Other than the commissioning of the Upper Ringarooma Irrigation Scheme in early August 2015, there have been no events subsequent to balance date which would have a material effect on the Company's financial report at 30 June 2015.

28. Auditors' remuneration

Audit and review services

Auditors of the Company

Auditor-General

Audit and review of financial statements

	2015	2014
	37,981	36,210
	37,981	36,210

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

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