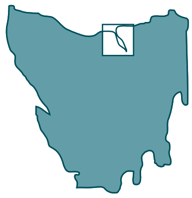
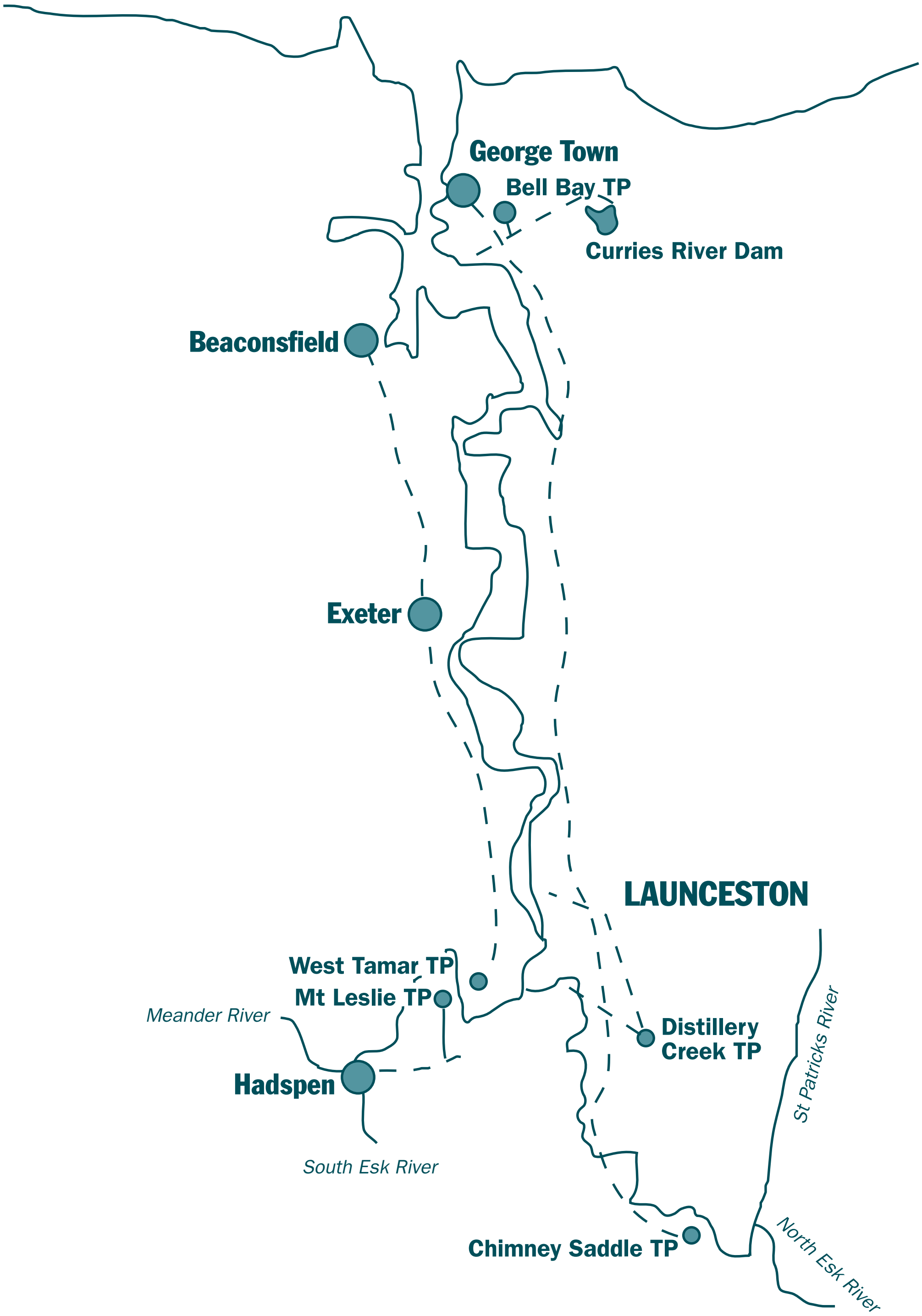
EskWater

Annual Report 2006




George Town
Bell Bay TP
Curries River Dam
Beaconsfield
Exeter
LAUNCESTON
West Tamar TP
Mt Leslie TP
Meander River
Hadspen
South Esk River
Distillery
Creek TP
St Patricks River
North Esk River
Chimney Saddle TP

Contents

Report of the Chairman of the Joint Authority

When Esk Water was formed the owner Councils, through their Representatives, provided the Management Board with a Charter that set out the expectations placed upon them. Whilst many of these expectations related to ongoing efficient management of a business such as Esk Water, many were more specific. Perhaps it is now appropriate to reflect on the achievement of these expectations. They include: -

- The requirement by the Representatives to move to uniform pricing has been achieved, albeit that the time line requested proved to be optimistic;
- Net water costs to participating Councils have reduced as required, and the Board has implemented a policy to ensure that costs do not increase in real terms in the future;
- Two-part water pricing has been introduced and the variable price encourages water conservation;
- Water quality far exceeds the requirement to comply with appropriate Government standards. In fact the Board's major thrust through the capital program is to continually improve on this already high standard;
- A Strategic Asset Management Plan has been developed and implemented, that along with a dividend / taxation / pricing policy approved by the Representatives, ensures sufficient funds will be available over the long-term to provide for the replacement of assets as they reach the end of their economic lives;
- The requirement for a debt reduction program has been completed with the last remaining loan paid out in June 2006. Future capital expenditure, including the replacement of Distillery Creek treatment plant is to be funded from cash flow.

In addition to the achievement of the above milestones the Board has continued to ensure that the business operates successfully. In fact the year under review resulted in an above budget profit despite less than budgeted sales. Of course the success of this business should not simply be based on financial outcomes. However, a review of the remainder of this report will show that performance in all areas, including water quality, environmental outcomes and corporate citizenship has continued to be very good.

I take pleasure in thanking Mike, Liz, Bob and Hugh and the management team for guiding Esk Water through another successful year.

Lawrence A.

Councillor Lawrence Archer
CHAIRMAN
ESK WATER JOINT AUTHORITY

Report of the Chairman of the Management Board

As noted by the Authority Chairman, the last year has again been successful despite the fact that water consumption was below budget and increasing asset values have been placing pressure on the bottom line. However, a full revaluation undertaken at 30 June 2006 resulted in a reduction in asset values due to the independent valuer introducing a pipeline bulk length discount. This will result in a significant reduction in depreciation in future years.

We have continued our record of providing very high quality water with only one positive E Coli test in 831 tests. This is substantially better than the requirements of the Australian Drinking Water Guidelines.

Uniform pricing was achieved the previous year allowing us to begin the movement of prices in line with the Consumer Price Index, which is in line with the recommendations of the Government Prices Oversight Commission. This ensures that water prices are not increasing in real terms.

Our integrated Business Management System maintained the third party certification of its three components under ISO 9001, ISO 14001 and AS 4801

OPERATIONS

- As the first stage of replacing the earthern basin at Mt Leslie, Casino reservoir was duplicated during the year. The second stage consisting of a small reservoir at Mt Leslie and associated pipework will be undertaken during the current year. This will provide improved security of water quality.
- The project to upgrade and modernise the SCADA system is well advanced. It is particularly pleasing that this project is largely being undertaken internally.
- The final decision was taken to replace the aging Distillery Creek plant with a new plant. Work has been commenced to prepare tender documents.
- Upgrading of the Reatta Road plant continued. The backwash pumps were replaced and a contract was let to replace the electrical switch boards. In addition work commenced on the design of flocculation tanks which will ensure a continued improvement in water quality.
- Over the last couple of years a major project has been running to install a Geographic Information System (GIS). In addition to the normal uses for a GIS this system is being used as the platform to link all other existing information systems. The project is nearing completion.

WATER QUALITY & THE ENVIRONMENT

- During the year 831 microbiological water tests were undertaken throughout the system. One of these samples tested positive to E coli. This provides that 99.9% of samples were free from e Coli. This continues our outstanding performance given the Australian Drinking Water Guidelines currently only requires 98% of samples to be free of e Coli.
- Esk water continued to actively participate in catchment management activities through ts membership of the Northern Natural Resource Management Association.
- The project to research the impacts of land use change on water flows in the North Esk catchment did not proceed as both the State and Commonwealth Governments declined to provide financial assistance.

COMMERCIAL MANAGEMENT

- For 2005/2006 an increase of 3.3% was applied to both the volumetric and fixed water charges. This increase was in accordance with the movement in the Consumer Price Index as recommended by the Government Prices Oversight Commission. Even with this increase in charges total water sales of $9 039 000 were $53 000 below budget for the year due to decreased consumption. However revenue from other operating activities of $641 000, above budget by $148 000, and revenue from non-operating activities of $84 000 ensured total revenue of $9 764 000 was above budget by $179 000 or 1.8%.

- Total expenditure of $6 768 000 was below budget by $17 000 or 0.3% and resulted in a net profit before taxation equivalent of $2 996 000, being above budget by $197 000 or 6.6%. Significant items of expenditure included depreciation of $2 788 000 and water royalty payments to the State Government of $448 000. Depreciation expense was $269 000 above budget and attributable to a significant increase in asset values as a consequence of the previous year's asset revaluation. Water royalty payments were $13 000 below budget due to decreased water consumption.

- Interest expense on borrowings totalled $118 000, however it is noteworthy that during the year the Authority repaid a $2 000 000 loan and currently has no outstanding borrowings. A need to enter into further borrowing arrangements is not anticipated in the immediate future as it is predicted that currently planned capital works can be funded from internal cash reserves.

- During the year the cash balance decreased from $6 355 000 to $5 744 000, although this was significantly affected by the $2 000 000 loan repayment mentioned above, internally funded capital works of $1 719 000 and the payment of $1 608 000 in dividends. These dividend payments comprised a final dividend relating to the previous year of $946 000 and an interim dividend for the current year of $662 000. The Board has recommended a final dividend for the current year of $963 000. This provides for a total dividend from the results of 2005/2006 of $1 625 000, which is equal to budget.

MANAGEMENT AND STAFF

- The operation of the Bulk Water Group continued during the year. The group meets annually to review the performance comparison report compiled by Esk Water as well as discussing a wide range of issues of mutual interest. The latest meeting was held in Tasmania in February 2006.

- The Bulk Water Group Comparison Report is used by the Board to assess Esk Water's performance against the most appropriate group of Australian peer organisations. The Board continues to be very happy with our comparative performance.

- In addition to being a member of the Bulk Water Group, Esk Water is an Associate of the Cooperative Research Centre for Water Quality and Treatment, an Associate Member of the Water Services Association of Australia and a Corporate Member of the Australian Water Association. These arrangements ensure that, as far as is possible, Esk Water is up to date with developments in the water industry.

- Staff turnover during the year was greater than desirable. However, this was largely due to the retirement of long serving staff, Graham Thompson and Greg Heathcote and the untimely death of another long serving member, Derek Boon. Despite this turnover we have continued to be able to attract high calibre applicants within a tight employment environment.

It is with great pride that I personally and on behalf of the Management Board, again take this opportunity to thank and congratulate Barry Cash and his staff for helping us make Esk Water Tasmania's premier water business. I would also like to particularly thank our Manager (Corporate Services), Eamonn Tiernan, who tendered his resignation late in the year. In addition to his management role Eamonn serviced as minute secretary to the Board since Esk Water's establishment. The Directors would like to wish him well in his future career.

As noted in the Joint Authority Chairman's report, we have now delivered on all the specific requirements of our Charter. This then provides an increased opportunity to concentrate on Esk Water's core business, including the redevelopment of Distillery Creek treatment plant, as well as pursuing new business opportunities.

Michael Steele
CHAIRMAN
MANAGEMENT BOARD

Statement of Corporate Intent

1. INTRODUCTION

The following Statement of Corporate Intent is a summary of the Corporate Plan which is prepared by the Management Board and approved by the Members each financial year. It has been prepared in accordance with Clause 72 of the Authority Rules.

2. VISION, VALUES AND DIRECTIONS

VISION

Esk Water recognised as an Australian leader in regional water operations and management.

VALUES

We value: -

- Public health
- Environmental care
- Helping our owners, customers and employees
- Professional and accountable management
- Innovation and opportunity
- Long term, equitable planning
- Enjoying our work

STRATEGIC DIRECTIONS

Consistent with the Charter provided by the Council owners, Esk Water has developed a number of goals and objectives. These are as follows: -

Our goal is to reliably deliver water of a quality that meets our customers needs and all regulatory requirements

ACTION PLANS	MEASURE
Effectively operate the water systems	Compliance with ADWGuidelines.
Provide appropriate levels of service	Comply with customer charters.
Actively manage business management system	Maintain certification of business management system
Participate in the treated water alliance	Obtain certification of all treatment plants under the treated water alliance
Prepare a Drinking Water Quality Management Plan	Submit to Director of Public Health by November 2006.

Our goal is to continue to have a financial capacity that sustainably delivers cost effective water.

ACTION PLANS	MEASURE
Provide high quality financial management	Comply with Charter.
	Financial leverage ratio of not greater than 30%
	Interest cover ratio of not less than 2.5 times.
Maintain adequate water prices.	Rate of return on assets employed of averaging not less than 2.5% over the long term.
Implement an appropriate long term pricing / dividend / taxation policy.	Availability of funding for timely asset replacement.

Our goal is to have a skilled, motivated, flexible workforce operating in a safe and productive environment.

ACTION PLANS	MEASURE
Maintain training plan	All staff meeting industry standard training levels
Maintain appropriate enterprise agreement	Recompense staff at least commensurate with industry standards
Maintain positive working relationship with staff	Nil lost time due to industrial disputes.
Provide a positive working environment	Staff turnover of less than 15% per annum
Maintain safe working environment	Lost time injury frequency rate of less than 75 and no long term injuries

Our goal is to ensure the long-term economic use of assets and the timely provision of economically viable new infrastructure.

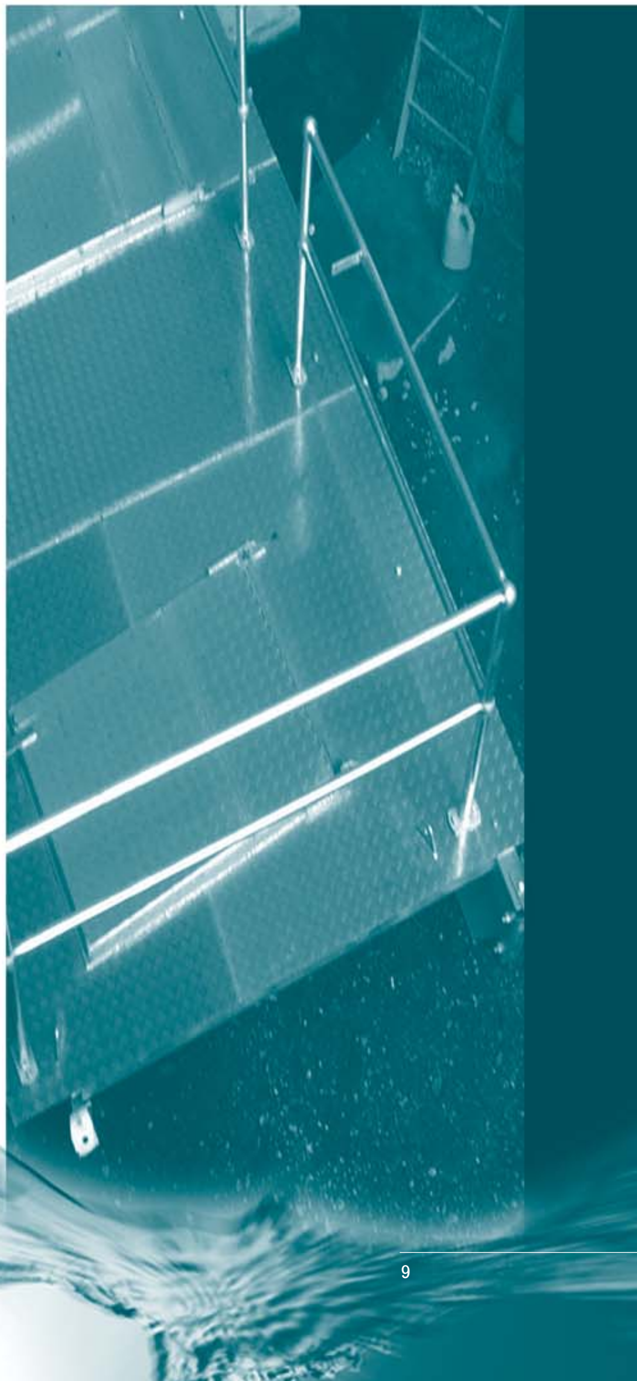
ACTION PLANS	MEASURE
Maintain the Strategic Asset Management Plan	Efficient operation and maintenance of facilities.
	Timely replacement of assets.

Our goal is to be a good corporate citizen and effectively market and communicate our service and capabilities.

ACTION PLANS	MEASURE
Implement the communication and marketing plan during 2006/07.	Improved recognition of Esk Water as an efficient water supplier and as a regional expert in water quality matters.
Participate in the community debate on catchment management	Community accurately informed in regard to water and catchment issues
In partnership with other stakeholders undertake research into the impact of land use changes on water flows in the North Esk River	Procure sufficient funds to undertake the study by June 2007.

Our goal is to identify and evaluate growth opportunities in water related activities.

ACTION PLANS	MEASURE
Utilise Esk Water expertise and capacity to pursue economic business opportunities	Achieve business growth



3. FINANCIAL ISSUES

Attached as Appendices A and B are the Operating Statement and the Key Performance Indicators from the Corporate Plan.

In accordance with Section 5.2 of the Authority Charter, the Board is continuing its debt reduction plan. The only remaining loan ($2 million) matures in June 2006 and will be paid off at that time.

The capital expenditure program from the Corporate Plan is attached as Appendix C.

Water consumption for the current year has been below budget. This combined with recent increases in asset valuations and hence depreciation will result in a reduced profit. The increase in depreciation will continue to constrain profit going forward. This is not all negative as the increased depreciation is retained as cash and will be available for future asset replacement.

Whilst consumption in the current year is very close to the total prediction in last year's plan, consumption by individual customers does vary. This 'balancing' between customers allows the continued use of past consumption estimates. However, as is customary a full review of individual demand predictions will be undertaken as part of next year's plan.

The below budget water sales in the current year has continued a recent downward trend. Whilst there are a range of possible reasons for this trend, consumption is not expected to continue falling. In fact recent increases by some industrial customers is expected to see a small increase in total sales.

The volumes used in the plan are shown in the following table.

TREATED (ML)	2005/06		2006/07	2007/08	2008/09
	Previous Estimate	Estimated Actual			
Meander Valley	1150	1153	1173	1196	1219
George Town	738	715	738	738	738
West Tamar	2079	2079	2079	2079	2079
Launceston	9360	8916	9360	9360	9360
Waysiders	197	179	197	197	197
Comalco	100	232	200	200	200
Temco	160	220	200	200	200
CHH Pinepanels	150	243	240	240	240
Woodchip	100	86	90	90	90
Gas Power Stations	In other	In other	60	70	65
Other Industries	100	250	105	105	105
Total Settled	14134	14073	14442	14475	14493

SETTLED (ML)

Comalco	190	38	40	40	40
Temco	500	447	450	450	450
Other	0	2	0	0	0
Total Settled	690	487	490	490	490

TOTAL WATER

SUPPLIED (ML)	14824	14560	14932	14965	14983

4. DIVIDENDS AND WATER ROYALTIES.

Following are the estimated interim and final dividend payments to the owner Councils.

ESTIMATED CASH PAYMENTS EACH FINANCIAL YEAR.

	2005/06 Current	2006/07	2007/08	2008/09
Final Dividends	$946 000	$963 000	$981 000	$1 025 000
Interim Dividends	$662 000	$802 000	$838 000	$819 000
TOTAL	$1 608 000	$1 765 000	$1 819 000	$1 844 000

Esk Water is also required to pay Water Royalties to the State Government. These payments are based on actual water sales. However, they are estimated to be as follows:-

	2005/06 Current	2006/07	2007/08	2008/09
Water Royalties	$448 000	$474 000	$488 000	$502 000

5. KEY ISSUES FACING THE AUTHORITY

Following is a brief list of the key issues facing Esk Water including the major activities to be undertaken in the next year: -

- Completion of a Drinking Water Quality Management Plan for submission to the Director of Public Health.
- Implementation of the long-term asset replacement program.
- Construction of a new treatment plant to replace the aging Distillery Creek Treatment Plant.
- Implementation of the communication and marketing plan.
- Continued participation in the catchment management debate.
- Participate with other stakeholders in researching the impact of land use changes on stream flows.
- Long term profitability and dividend maintenance.
- Continued active pursuit of economic business opportunities.

Report of the Chief Executive Officer

Following are some details of the year's operations: -

Water Consumption

The following table sets out details of the actual water sales compared to budget.

Customer	Actual Sales (ML)	Budgeted Sales (ML)
Treated Water		
Launceston City Council	8916	9360
West Tamar Council	2054	2079
Meander Valley Council	1152	1150
George Town Council	702	738
Wayside Customers	199	200
Industries	1000	615
Total Treated	14023	14142
Settled (Raw) Water	484	690
Total Water Sales	14507	14832

Water Quality

All turbidity, colour and pH measurements were in accordance with the Australian Drinking Water Guidelines. Following are details of the microbiological tests undertaken during the year along with the percentage of those tests free from E Coli: -

	No of Tests	E Coli
West Tamar	200	99.5%
North Esk	295	100.0%
Distillery Creek	186	100.0%
South Esk	150	100.0%
Overall System	831	99.9%
ADW Guideline Minimum Requirements		98.0%

It should be noted that the Australian Drinking Water Guidelines no longer recommend the use of Total Coliforms as an appropriate measure of system water quality performance. As such we have discontinued reporting this parameter.

Financial Performance

Following is a schedule of financial performance indicators compared to Corporate Plan predictions: -

	Planned	Actual
Debt to Equity Ratio	0.00%	0.00%
Return on Equity	2.72%	3.06%
Real Rate of Return on Assets (ARMCANZ)	2.85%	2.91%
Sales Margin	31.46%	32.17%
Total Liabilities to Equity	9.42%	13.98%
Current Ratio	340.45%	839.16%
Interest Cover Ratio	14.02	26.39
OMA&E / km of Main	$23 149	$22 103
OMA&E / ML	$273	$267
O&M / ML	$222	$217
O&M to Total Revenue	34.3%	32.5%
Depreciation to Total Revenue	26.3%	28.5%
Admin & Engineering to Total Revenue	7.9%	7.8%
Finance to Total Revenue	2.2%	1.2%
O&M to Total Expenditure	48.5%	46.4%
Depreciation to Total Expenditure	37.1%	40.7%
Admin & Engineering to Total Expenditure	11.2%	11.1%
Finance to Total Expenditure	3.2%	1.7%

Note – A large asset devaluation at 30 June 2006 and the effect of A-IFRS has impacted actual results in relation to equity, assets and liabilities.

Maintenance

Major items of maintenance carried out during the year included: -

- Repair of lightning strike at Chimney Saddle.
- Lime dosing hose and de-sludge valves replaced at Reatta Road.
- Treated water sample pump replaced at Mt Leslie.
- Distillery Creek weir was repaired following flood damage.
- Air valve maintenance was continued on the West Tamar trunk main.
- A Trevallyn Dam pump was rebuilt.
- Road crossing at Norfolk Street, Bell Bay was replaced.

Capital Works

The following capital projects were undertaken or commenced: -

- New service water pumps were installed at Chimney Saddle.
- SCADA upgrade commissioned at Rocherlea and commenced at Mt Leslie and Chimney Saddle treatment plants.
- New inlet flow meter installed at Distillery Creek.
- New turbidity instruments and dispersion flow meters installed at Mt Leslie.
- New flow meters were installed at St Leonards and Rocherlea reservoirs and at Waverley pump station.
- New section of trunk main provided by the Department of Infrastructure, Energy and Resources was cut in at Acropolis Drive.
- Reatta Road backwash pump replacements completed.
- Casino reservoir duplication was completed.
- Reatta Road raw water pump commenced.
- Reatta Road switchboard replacement commenced.

Pipe failures

Pipe failures during the year totalled eight, compared to twelve the previous year and eighteen in 2003/04 The failures were distributed as follows: -

North Esk trunk main	2
Hadspen – Prospect main	3
Bell Bay reticulation	1
Hoblers Bridge main	2

In addition to the above pipe breaks there were three connection failures, compared to twelve the previous year.

During the year there were twelve (12) consumer outages. A summary of these outages is as follows: -

	Planned	Unplanned
Council Bulk	4	0
Industrial	4	1
Wayside	5	2
Total	9	3

It should be noted that most outages affected more than one customer grouping. It should also be noted that most Council bulk outages do not impact end users as Council reticulation reservoirs continue the supply.

Treatment Plant Tours

During the year eleven (11) teachers/adults and sixty (60) students undertook tours of Mt Leslie treatment plant.

Human Resource Management

At formation on 1 July 1997 the total staff complement was thirty (30). As at 1 July 1999 this had reduced to 25.5 equivalent full time positions (FTEs). As noted last year a graduate engineer was employed taking total numbers to 26.5 (FTEs).

During the year a treatment plant operator from Distillery Creek retired. Given the likely change of operational arrangements when this plant is replaced, the vacancy was not filled. This was enabled by the negotiation and implementation of an amended shift arrangement.

In addition to the above retirement, a second staff member retired, one passed away and another resigned. The Senior Technical Officer (Electrical) who resigned last year was also replaced. This resulted in a reasonably significant turnover in staff. As a result significant resources were dedicated to training, in particular the training of three maintenance staff in treatment plant operations. In addition the Corporate Services Manager (Eamonn Tiernan) resigned but was servicing out his notice period at the end of the year.

I would again like to take this opportunity to thank our staff for their support, dedication and hard work throughout the year. In particular our continued achievements in maintaining a very high standard of water quality are outstanding. As noted by the Chairman of the Management Board, the performances of our staff continue to assist in maintaining a reputation for being an efficient organisation with extensive knowledge in our field.

A list of staff as at 30 June 2006 is as follows: -

Denis Blair	Barry Cash	Terry Clare
Steve Clarkson	Barry Dare	Shirlene Donati
Paul Donohue	John Goss	David Gregory
Chris Hall	Fergus Hamill	Jeff Harrison
Chris Howard	Cameron Jessup	Matthew Jordan
Michael Koning	Garry Lanham	Dale Mackrill
Roger McKenzie	Nathan Pickett	Terry Preston
Glen Rowlands	Steven Smith	Eamonn Tiernan
John Widdowson		

Barry J Cash
CHIEF EXECUTIVE OFFICER

Directors' Report
For the year ended 30 June 2006

The Directors of Esk Water Authority submit the following report made out in accordance with the resolution of the Directors in respect of the financial year ended 30 June 2006.

1. Directors

The directors of Esk Water in office during and since the end of the financial year:-

Michael J Steele	(1/7/1997 – current)	(Chairman 1/7/2000 - current)
Elizabeth J Swain	(7/3/2000 – current)	
G Hugh K Denny	(1/7/2003 – current	
Robert G Campbell	(2/8/2003 – current)	

Directors' qualifications and experience and details of meetings attended during the financial year are:-

Michael J Steele
Qualifications and Experience

- Diploma in Mechanical Engineering
- Bachelor of Business (B. Admin)
- Member, Market Research Society of Australasia
- Director, Northern Tasmanian Regional Development Board Ltd
- Director, Branch Office Personnel Pty Ltd

Board of Management meetings held during the financial year and eligible to attend:

Held – 11 Attended - 10

Elizabeth J Swain
Qualifications and Experience

- Diploma of Metallurgy
- Diploma of Applied Science
- Diploma in Front Line Management
- Graduate Diploma of Business
- Masters Degree of Business Administration
- Potline Four Superintendent, Comalco Aluminium, Bell Bay
- Director, Maxsel Pty Ltd
- Director, Northern Residential Support Group Inc.

Board of Management meetings held during the financial year and eligible to attend:

Held – 11 Attended - 11

G Hugh K Denny
Qualifications and Experience

- Bachelor of Economics (BEc)
- Member of the Institute of Chartered Accountants
- Member of the State Grants Commission
- Director, Launceston Preparatory School Inc.

Board of Management meetings held during the financial year and eligible to attend:

Held – 11 Attended – 11

Robert G Campbell
Qualifications and Experience

- Bachelor of Economics
- Director, Groupwork Pty. Ltd
- Chairman, Tasmania Together Progress Board

Board of Management meetings held during the financial year and eligible to attend:

Held – 11 Attended - 11

2. Principal Activities

The principal activity of Esk Water Authority in the course of the financial year was to collect, conserve, treat and sell water to participating councils and other major industrial and wayside users. During the financial year there was no significant change in the nature of that activity.

3. Review Of Operations

Operating Revenue

Total sales revenue for the financial year of $9 039 000 (2005, $9 008 000) was 0.34% more than the prior year.

Net Profit

Net profit for the financial year was $2 096 000 (2005 restated, $2 316 000) after an income tax equivalent expense of $900 000 (2005 restated, $995 000). Profit from ordinary activities before income tax equivalent expense of $2 996 000 (2005 restated, $3 311 000) was less than the prior year primarily due to reduced non-operating revenue.

Debt Reduction

Debt totaling $2 000 000 (2005, $Nil) was repaid during the financial year. Esk Water Authority had no outstanding borrowings at the end of the financial year. (2005, $2 000 000).

4. Changes In The State Of Affairs

During the financial year there was no significant change in the state of affairs of Esk Water Authority other than that referred to in the financial statements or notes thereto.

5. Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of Esk Water Authority, the results of those operations, or the state of affairs of Esk Water Authority in future financial years.

6. Future Developments

There are no intended future developments in the operations of Esk Water.

7. Dividends

In respect of the financial year ended 30 June 2005, as detailed in the directors' report for that financial year, a dividend of $946 000 was paid on 12 December 2005.

In respect of the financial year ended 30 June 2006, an interim dividend of $662 000 was paid on 7 April 2006. The directors of Esk Water Authority have recommended the payment of a final dividend for the financial year ended 30 June 2006 of $963 000 payable on 30 November 2006.

8. Rounding Off Of Amounts

Amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

Signed in accordance with a resolution of the Board of Management

E. Swain

M J Steele	E J Swain	G H K Denny	R G Campbell
Chairman	Director	Director	Director

Launceston, 28 August 2006.

INDEPENDENT AUDIT REPORT

To the Members of Esk Water Authority

Financial Report for the year Ended 30 June 2006

Matters Relating to the Electronic Presentation of the Audited Financial statements

This audit report relates to the financial report published in both the annual report and on the website of Esk Water Authority for the year ended June 2006. The Directors are responsible for the integrity of both the annual report and the website.

The audit report refers only to the financial statements and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial report.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in Joint Authority's annual report.

Scope

The financial report and the Director's responsibilities

The financial report comprises the income statement, balance sheet, statement of changes inequity, cash flow statement, accompanying notes to the financial statements, and the Director's declaration for the year ended 30 June 2006.

The Directors are responsible for the preparation and true and fair representation of the finical report in accordance with Section 38 of the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

I conducted an independent audit in order to express an opinion to the Members of the Joint Authority. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use if professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether all material respects the financial report presents fairly, in accordance with Local Government Act 1993, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Joint Authority's financial position, and of its performance as represented by the results of its operations, cash flows and changes in equity.

I formed my audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

The Audit Opinion expressed in this report has been formed on the above basis.

Independence

In conducting my audit, I have met applicable independence requirements of Australian professional ethical pronouncements.

Audit opinion

In my opinion the financial report presents fairly in accordance with the Local Government Act 1993 and applicable Accounting Standards and other mandatory financial reporting requirements in Australia, the financial position of Esk Water Authority as at 30 June 2006, and the results of its operations, cash flow and changes in equity for the year then ended.

TASMANIAN AUDIT OFFICE

J Tongs

JJ Tongs
ACTING DIRECTOR – FINANCIAL AUDIT
Delegate of the Auditor-General

Hobart

14 September 2006

Directors’ Declaration

Esk Water Authority
Directors’ Declaration

The Directors declare that:-

a) the attached financial statements and notes thereto comply with Australian Accounting Standards;

b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Authority;

c) in the directors’ opinion, the attached financial statements and notes thereto are in accordance with Esk Water Authority Rules and applicable legislation; and

d) in the directors’ opinion, there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Management Board.

E. Swain

M J Steele	E J Swain	G H K Denny	R G Campbell
Chairman	Director	Director	Director

LAUNCESTON, 28 August 2006

ESK WATER AUTHORITY
Income Statement for the Financial Year Ended 30 June 2006

	Note	**2006 $'000**	2005 $'000
Sales revenue		**9,039**	9,008
Cost of sales		**(3,200)**	(3,218)
Gross profit		**5,839**	5,790
Other revenue		**725**	1,152
Distribution system and other operations and maintenance expenses		**(2,697)**	(2,695)
Administration and engineering expenses		**(753)**	(816)
Borrowing costs		**(118)**	(120)
Profit before income tax equivalent expense	3	**2,996**	3,311
Income tax equivalent expense	5	**(900)**	(995)
Net profit attributable to members of Esk Water Authority		**2,096**	2,316

(The accompanying notes to the financial statements form an integral part of this Income Statement)

ESK WATER AUTHORITY
Balance Sheet
as at 30 June 2006

	Note	2006 $'000	2005 $'000
Current assets			
Cash assets		5,744	6,355
Receivables	8	1,612	1,023
Inventories	9	230	210
Total current assets		7,586	7,588
Non-current assets			
Property, plant and equipment	10	103,854	112,987
Deferred tax equivalent assets	5	6,250	6,842
Other	11	5	5
Total non-current assets		110,109	119,834
Total assets		117,695	127,422
Current liabilities			
Payables	12	537	737
Interest-bearing liabilities	13	0	2,000
Provisions	14	366	398
Other	15	1	1
Total current liabilities		904	3,136
Non-current liabilities			
Deferred tax equivalent liabilities	5	17,276	19,415
Provisions	16	1,745	1,874
Total non-current liabilities		19,021	21,289
Total liabilities		19,925	24,425
Net assets		97,770	102,997
Equity			
Retained profits	19	291	(416)
Reserves	20	15,931	21,865
Contributed equity		81,548	81,548
		97,770	102,997

(The accompanying notes to the financial statements form an integral part of this Balance Sheet)

ESK WATER AUTHORITY
Statement of Changes in Equity for the Financial Year Ended 30 June 2006

	Note	Contributed Equity $'000	Reserves $'000	Retained Profit $'000	Total Equity $'000
Opening Balance 1 July 2004		81,548	12,797	(1,086)	93,259
Transfer derecognised asset balances	20		(16)	16	0
Revaluation increments/decrements to profit and loss	20		(668)		(668)
Asset revaluation	20		13,644		13,644
Deferred tax equivalent liability arising on revaluation	20		(3,893)		(3,893)
Profit/(loss)				2,316	2,316
Dividends paid to owners	21			(1,662)	(1,662)
Closing Balance 30 June 2005		81,548	21,865	(416)	102,997
Opening Balance 1 July 2005		81,548	21,865	(416)	102,997
Transfer derecognised asset balances	20		(219)	219	0
Revaluation increments/decrements to profit and loss	20		(1)		(1)
Asset revaluation	20		(8,162)		(8,162)
Deferred tax equivalent liability arising on revaluation	20		2,449		2,449
Profit/(loss)				2,096	2,096
Dividends paid to owners	21			(1,608)	(1,608)
Closing Balance 30 June 2006		**81,548**	**15,931**	**291**	**97,770**

(The accompanying notes to the financial statements form an integral part of this Statement of Changes in Equity)

ESK WATER AUTHORITY
Cash Flow Statement for the Financial Year Ended 30 June 2006

	Note	Inflows/ (Outflows) 2006 $'000	2005 $'000
Cash flows from operating activities			
Receipts from customers		8,758	9,679
GST receipts from Australian Taxation Office		324	225
Payments to suppliers and employees		(4,489)	(4,155)
Interest received		371	260
Interest and other costs of finance paid		(120)	(120)
Net cash provided by operating activities	25(d)	4,844	5,889
Cash flows from investing activities			
Payments for property, plant and equipment		(1,926)	(1,013)
Proceeds from sale of property, plant and equipment		79	48
Net cash used in investing activities		(1,847)	(965)
Cash flows from financing activities			
Repayment of borrowings		(2,000)	0
Dividends paid		(1,608)	(1,662)
Net cash used in financing activities		(3,608)	(1,662)
Net increase in cash held		(611)	3,262
Cash at the beginning of the financial year		6,355	3,093
Cash at the end of the financial year	25(a)	5,744	6,355

(The accompanying notes to the financial statements form an integral part of this Cash Flow Statement)

ESK WATER AUTHORITY
Notes to the Financial Statements
Financial Year Ended 30 June 2006

1 Summary of Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Interpretation, Esk Water Authority Rules, the Local Government Act 1993 and other requirements of the law. The financial report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Significant Accounting Policies and Statement of Compliance

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The Authority changed its accounting policies on 1 July 2005 to comply with Australian Equivalent to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with AASB 1 'First-time Adoption of Australian Equivalent to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from AGAAP to A-IFRS has affected the Authority's financial position, financial performance and cash flows is discussed in Note 2. Compliance with A-IFRS ensures that the financial report and corresponding notes comply with International Financial Reporting Standards. This is the first financial report prepared based on A-IFRS and comparative figures for the year ended 30 June 2005 have been restated accordingly.

The Authority has elected to apply Accounting Standard AASB 119 'Employee Benefits', even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006 and has elected for all movements, including actuarial gains and losses, to be recognised in the income statement.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:-

1.1 Accounts Payable

Trade payables and other accounts payable are recognised when the Authority becomes obliged to make future payments resulting from the purchase of goods and services.

1.2 Acquisition, Valuation and Revaluation of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition. In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. The Authority has elected to continue to apply a fair value basis for the valuation of property, plant and equipment. Property, plant and equipment are fully revalued using deprival value methodology at least every five years with application of the relevant industry or technological index on an annual basis in the intervening years.

Where the assets are revalued, the revaluation increments (or decrements) are credited (or debited) directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for an asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that asset in which case the decrement is taken to the reserve to the extent of the remaining increment. The effects of the revaluation of assets on deferred tax equivalents, if any, are recognised in accordance with note 1.10.

1.3 Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of those assets.

1.4 Borrowing Costs

Borrowing costs directly attributable to buildings under construction and land held for resale are capitalised as part of the cost of those assets. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

1.5 Comparative Amounts

Where required by accounting standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

1.6 Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. The estimated useful lives used in the calculation of depreciation are:- Buildings 80-85 years; Reservoirs 100 years; Reservoir roofs 50 years; Pipelines 85 years; Dams 150 years; Valves 25-50 years; Computers and electronic equipment 3-10 years; Furniture, whitegoods and sundry equipment 10-25 years; Motor vehicles 2-4 years.

1.7 Provisions

Provisions are recognised when a present obligation exists, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(i) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of wages and salaries, annual leave, long service leave and superannuation expected to be settled within twelve months are measured at the amounts expected to be paid at the time of settlement. Provisions made in respect of long service leave and superannuation which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The calculations for provision amounts for employee benefits include related superannuation costs. Other on-costs (payroll tax and workers' compensation) to be paid to third parties in relation to employee benefits are provided for as on-costs on employee entitlements.

(ii) Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors.

1.8 Financial Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

1.9 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except: (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or (ii) for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

1.10 Income Tax Equivalents

The Authority is exempt from company income tax but is, in accordance with Part 3A of the Local Government Act 1993, subject to the income tax equivalent provisions of the Government Business Enterprises Act 1995 as administered under the National Tax Equivalent Regime. Current tax equivalent is calculated by reference to the amount of income tax equivalent payable or recoverable in respect of the taxable profit or tax loss for the period utilising the tax rate applicable at reporting date. Deferred income tax equivalent is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred income tax equivalent liabilities are recognised for all taxable temporary differences. Deferred income tax equivalent assets are recognised for all deductible temporary differences, carry-forward of unused tax equivalent assets and unused tax equivalent losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, and the carry-forward of unused tax equivalent assets and unused tax equivalent losses can be utilised. The carrying amount of deferred income tax equivalent assets is reviewed at each balance sheet date to ensure probability that sufficient taxable profit will be available to allow the deferred income tax equivalent asset to be utilised. Deferred income tax equivalent assets and liabilities are measured at the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Income tax equivalent relating to items recognised directly in equity are recognised in equity and not in the income statement.

1.11 Interest Bearing Liabilities

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

1.12 Inventories

Inventories are valued at the lower of cost or net realisable value. The inventories component of Cost of Sales is defined as chemicals on hand and water on hand (ie. ready for sale).

1.13 Investments

Investments are recorded at carrying value. Interest revenue is recognised on an accrual basis.

1.14 Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

1.15 Recoverable Amount of Non-Current Assets

Non-current assets are measured on the fair value basis and revaluations are made with sufficient regularity to ensure that the carrying amounts of the assets do not differ materially from their fair value. Accordingly, the carrying amounts of non-current assets measured on the fair value basis cannot be overstated.

1.16 Revenue Recognition

Revenue from the sale of goods and disposal of other assets is recognised when control of the goods or other assets has been passed to the buyer. Revenue arising from the contribution of assets is recognised when control of the contribution or the right to receive the contribution is gained.

2 Impacts of the adoption of Australian Equivalents to International Financial Reporting Standards (A-IFRS)

Esk Water changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

The following tables and explanatory notes describe the impacts on the 2005 financial statements resulting from differences between the accounting policies under A-IFRS and the previous treatment of those items under AGAAP.

Effect of A-IFRS on the balance sheet as at 1 July 2004

	Note	Previous AGAAP $'000	A-IFRS impact $'000	A-IFRS 1 July 2004 $'000
Current assets				
Cash assets		3,093	0	3,093
Receivables		1,414	0	1,414
Inventories		211	0	211
Total current assets		4,718	0	4,718
Non-current assets				
Property, plant and equipment		100,754	0	100,754
Deferred tax equivalent assets	2.1	519	6,467	6,986
Other		6	0	6
Total non-current assets		101,279	6,467	107,746
Total assets		105,997	6,467	112,464
Current liabilities				
Payables		466	0	466
Provisions		327	0	327
Other		1	0	1
Total current liabilities		794	0	794
Non-current liabilities				
Interest-bearing liabilities		2,000	0	2,000
Deferred tax equivalent liabilities	2.1	4,349	10,323	14,672
Provisions	2.2	1,392	347	1,739
Total non-current liabilities		7,741	10,670	18,411
Total liabilities		8,535	10,670	19,205
Net assets		97,462	(4,203)	93,259
Equity				
Retained profits	2.7	1,093	(2,179)	(1,086)
Reserves	2.1, 2.3, 2.4	13,267	(470)	12,797
Contributed equity	2.4	83,102	(1,554)	81,548
		97,462	(4,203)	93,259

2 Impacts of the adoption of Australian Equivalents to International Financial Reporting Standards (A-IFRS) (continued)

Effect of A-IFRS on the balance sheet as at 30 June 2005

	Note	Previous AGAAP $'000	A-IFRS impact $'000	A-IFRS 30 June 2005 $'000
Current assets				
Cash assets		6,355	0	6,355
Receivables		1,023	0	1,023
Inventories		210	0	210
Total current assets		7,588	0	7,588
Non-current assets				
Property, plant and equipment		112,987	0	112,987
Deferred tax equivalent assets	2.1	510	6,332	6,842
Other		5	0	5
Total non-current assets		113,502	6,332	119,834
Total assets		121,090	6,332	127,422
Current liabilities				
Payables		737	0	737
Interest-bearing liabilities		2,000	0	2,000
Provisions	2.6	319	79	398
Other		1	0	1
Total current liabilities		3,057	79	3,136
Non-current liabilities				
Deferred tax equivalent liabilities	2.1	5,312	14,103	19,415
Provisions	2.2, 2.6	1,377	497	1,874
Total non-current liabilities		6,689	14,600	21,289
Total liabilities		9,746	14,679	24,425
Net assets		111,344	(8,347)	102,997
Equity				
Retained profits	2.7	1,331	(1,747)	(416)
Reserves	2.1, 2.3, 2.4	26,911	(5,046)	21,865
Contributed equity	2.4	83,102	(1,554)	81,548
		111,344	(8,347)	102,997

Effect of A-IFRS on the income statement for the year ended 30 June 2005

	Note	Previous AGAAP $'000	A-IFRS impact $'000	A-IFRS 30 June 2005 $'000
Sales revenue		9,008	0	9,008
Cost of sales	2.2	(3,066)	(152)	(3,218)
Gross profit		5,942	(152)	5,790
Other revenue	2.5	571	581	1,152
Distribution system and other operations and maintenance expenses	2.2, 2.5	(2,721)	26	(2,695)
Administration and engineering expenses	2.2	(726)	(90)	(816)
Borrowing costs	2.2	(194)	74	(120)
Profit before income tax equivalent expense		2,872	439	3,311
Income tax equivalent expense	2.1	(972)	(23)	(995)
Net profit attributable to members of Esk Water Authority		1,900	416	2,316

Effect of A-IFRS on the cash flow statement for the finacial year ended 30 June 2005

For the year ending 30 June 2005 there are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement previously presented under AGAAP.

2.1 Income tax equivalents

A balance sheet approach has been applied under which temporary differences are identified for each asset and liability rather than accounting for the effects of timing differences between taxable income and accounting profit. Increases in deferred tax equivalent balances arise as a consequence of the recognition of deferred tax equivalents associated with the revaluation of property, plant and equipment and an increase in the liability for defined benefit superannuation. Also, a deferred tax equivalent asset has been recognised for the carryforward of unused tax equivalent losses as it is probable that future tax equivalent profit will be available against which these losses can be utilised . At 1 July 2004 the impact on the balance sheet is to increase deferred tax equivalent assets by $6 467 000, to increase deferred tax equivalent liabilities by $10 323 000 and to decrease the asset revaluation reserve by $5 314 000.

For the financial year ended 30 June 2005 deferred tax equivalent assets decreased by $144 000, deferred tax equivalent liabilities increased by a further $3 780 000 and the asset revaluation reserve decreased by a further $3 893 000. The impact on the income statement is to increase the tax equivalent expense by $23 000.

2.2 Defined benefit superannuation fund

Prior to transition to A-IFRS entities that sponsor defined benefits superannuation plans were required to recognise the surplus or deficit of defined benefit superannuation plans as an asset or liability in the balance sheet. Esk Water sponsors the Retirement Benefits Fund defined benefit superannuation plan and has elected for all movements, including actuarial gains and losses, to be recognised in profit and loss. At 1 July 2004 the impact on the balance sheet is to increase the provision for employee benefits by $347 000.

For the financial year ended 30 June 2005 the provision for employee benefits increased by a further $229 000 for a total impact of $576 000. The impact on the income statement is to increase employee on-costs (employee benefits expense) by $210 000 apportioned across administration and engineering, distribution system and cost of sales expenses and to increase interest on the superannuation provision by $19 000. A further impact on the income statement is the requirement to recognise interest on the superannuation provision in the net total of employee benefits expense. Interest on superannuation provision totalling $93 000 was transferred to employee on-costs (employee benefits expense) and apportioned across administration and engineering, distribution system and cost of sales expenses.

2.3 Valuation and impairment of assets

Entities that previously assessed whether assets are impaired by determining the recoverable amount of the asset on the basis of undiscounted cash flows are now required to determine recoverable amount as the higher of fair value less costs to sell and value in use. Esk Water has assessed that no impairment adjustment to asset valuations (refer Note 10) at fair value are applicable as a result of the more stringent impairment test. Further, profit-generating entities are only permitted to offset revaluation increments and decrements on an asset-by-asset basis, not within asset classes as permitted under AGAAP. It has been determined that Esk Water is a profit-generating entity and accordingly must recognise decreases in the carrying amount of individual assets directly to profit and loss unless the decrease reverses a previously recognised increase of the same asset. Also, when an asset is derecognised the amount of revaluation reserve pertaining to that asset can be transferred directly to retained earnings. At 1 July 2004 the impact on the balance sheet is a $3 290 000 increase in the asset revaluation reserve.

For the financial year ended 30 June 2005 the asset revaluation reserve was decreased by $684 000 as a result of derecognition of disposed assets and the recognition in profit and loss of revaluation increments reversing previous decrements. The impact on the income statement is an increase in other revenue of $668 000.

2.4 Correction of errors

Previously an error made in a prior reporting period is corrected in the reporting period in which the error is discovered by recognising the effect of the error in the current financial accounts. On adoption of A-IFRS entities will account retrospectively for material prior period errors. Esk Water had previously identified anomalies in asset details recognised on formation and these had been adjusted through asset revaluations. As a result the asset revaluation reserve carried adjustments that should more correctly have been carried by contributed equity and this has been corrected. The impact on the balance sheet is a $1 554 000 increase in the asset revaluation reserve and a $1 554 000 decrease in equity contributed.

2.5 Revenue from ordinary activities

Proceeds from the sale of non-current assets were previously included as revenue, with the effect of "grossing up" the income statement. Under A-IFRS only the net gain or loss from the sale of assets is recognised in the income statement. The impact on the income statement is to decrease other revenue from ordinary activities by $86 000 and to decrease distribution system and other operations and maintenance expenses by $86 000.

2.6 Provisions

A liability must be classified as a current liability where an entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date. Previously only long service leave expected to be settled within twelve months of reporting date was recognised as a current liability, however now all vested employee long service leave entitlement is recognised as a current liability. The effect of this adjustment is to increase current liabilities by $79 000 and to decrease non-current liabilities by a corresponding amount.

2 Impacts of the adoption of Australian Equivalents to International Financial Reporting Standards (A-IFRS) (continued)

2.7 Retained profits

With limited exceptions, adjustments required on first-time adoption of A-IFRS are recognised directly in retained earnings or, if appropriate, another category of equity at the date of transition to A-IFRS. The cumulative effect of these adjustments is to decrease retained profits by $1 509 000 as follows:

	$'000
Opening AGAAP Balance 1 July 2004	1,093
Establish A-IFRS deferred tax equivalents	(3,879)
A-IFRS adjustment to provision for superannuation	(576)
Transfer balances of derecognised asset from asset revaluation reserve	(165)
Revaluation increments/decrements to profit and loss	(2,441)
Recognise deferred tax equivalents on balance of asset revaluation reserve	5,314
Profit/(loss)	1,899
Dividends paid to owners	(1,662)
Closing A-IFRS Balance 30 June 2005	(416)

3 Profit from Ordinary Activities

Profit from ordinary activities before income tax equivalent includes the following items of revenue and expense:

	2006 $'000	2005 $'000
(a) Operating Revenue		
Sales revenue:		
Sale of goods	**9,039**	9,008
Rendering of services	**207**	247
	9,246	9,255
Rental revenue	**3**	3
Interest revenue:		
Other entities (non-related parties)	**377**	258
Other operating revenue	**54**	15
	9,680	9,531
(b) Non-Operating Revenue		
Gain/(loss) from asset revaluation	**1**	668
Asset contributions (non-related parties)	**769**	0
Gain/(loss) from the disposal of assets	**(686)**	(39)
	84	629

During the financial year the Authority obtained, for no consideration, control of a length of pipeline constructed by the Department of Infrastructure, Energy and Resources (DIER) as part of their West Tamar Highway improvement works. In order to recognise the fair value of the asset contribution an independent valuation was provided by Mr John Armatys AAPI of the Australian Valuation Office. The carrying amount of a length of pipeline made redundant by the DIER improvement works has been derecognised and is included in gain/(loss) from the disposal of assets.

3 Profit from Ordinary Activities (continued)

	2006 $'000	2005 $'000
(c) Expenses		
Cost of sales	3,200	3,218
Borrowing costs:		
Interest		
Other entities (non-related parties)	118	120
	118	120
Depreciation of non-current assets:		
System Infrastructure	2,680	2,372
Non-Infrastructure Buildings	15	14
Other Plant and Equipment	93	99
Total Depreciation of Property, plant and equipment	2,788	2,485

Assets are revalued annually in accordance with the policy specified in note 1. Accordingly, the depreciation expense varies each year from what would have been expensed had annual revaluations not occurred. The difference in depreciation expense this financial year over the previous financial year is attributable to the impact of the revaluation effected at the end of last financial year.

Contributions made to, and provisions made in respect of, defined benefits superannuation plans during the financial year	118	188

4 Disposal of Assets

Disposal of assets in the ordinary course of business have given rise to the following profits (or losses):

	2006 $'000	2005 $'000
Proceeds from disposal of property, plant and equipment	79	48
Less carrying amount of assets disposed	(765)	(87)
Gain/(loss) on disposal	(686)	(39)

5 Income Tax Equivalent Expense

(a) Income tax equivalent recognised in profit or loss

	2006 $'000	2005 $'000
Tax equivalent expense/(income) comprises:		
Current tax equivalent expense/(income)	900	995
Deferred tax equivalent expense/(income) relating to the origination and reversal of temporary differences	0	0
Total tax equivalent expense/(income)	900	995
Attributable to:		
Continuing operations	900	995
	900	995

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

	2006 $'000	2005 $'000
Profit from continuing operations	2,996	3,311
Profit from operations	2,996	3,311
Income tax equivalent expense calculated at 30%	899	993
Non-deductible expenses	1	2
	900	995
(Over)/under provision of income tax equivalent in previous year	0	0
	900	995

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

5 Income Tax Equivalent Expense (continued)

	2006 $'000	2005 $'000
(b) Income tax equivalent recognised directly in equity		
The following current and deferred amounts were charged directly to equity during the period:		
Deferred tax equivalent:		
Property revaluations	**2,449**	(3,893)
	2,449	(3,893)
(c) Current tax assets and liabilities		
Current tax payables:		
Income tax payable attributable to:		
Other	**0**	0
	0	0
(d) Deferred tax equivalent balances		
Deferred tax equivalent assets comprise:		
Tax equivalent losses – revenue	**5,612**	6,159
Temporary differences	**639**	683
	6,251	6,842
Deferred tax equivalent liabilities comprise:		
Temporary differences	**17,275**	19,415
	17,275	19,415
Net deferred tax equivalent balance	**(11,024)**	(12,573)

Taxable and deductible temporary differences arise from the following:

2006	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax equivalent liabilities:				
Property, plant & equipment	19,404	308	(2,449)	17,263
Other	11	1	0	12
	19,415	309	(2,449)	17,275
Gross deferred equivalent tax assets:				
Provisions	680	(48)	0	632
Other	3	4	0	7
Tax losses - revenue	6,159	(547)	0	5,612
	6,842	(591)	0	6,251
	(12,573)	(900)	2,449	(11,024)

2005	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax equivalent liabilities:				
Property, plant & equipment	14,660	851	3,893	19,404
Other	12	(1)	0	11
	14,672	850	3,893	19,415
Gross deferred tax equivalent assets:				
Provisions	61	61	0	680
Other	5	(2)	0	3
Tax losses - revenue	6,363	(204)	0	6,159
	6,987	(145)	0	6,842
	(7,685)	(995)	(3,893)	(12,573)

	2006 $'000	2005 $'000

6 Directors' Remuneration

The directors of Esk Water Authority during the year were:

- Mr M J Steele (Chairman)
- Ms E J Swain
- Mr G H K Denny
- Mr R G Campbell

	2006	2005
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Esk Water Authority, directly or indirectly, by the Authority or by any related party	**71**	67

The number of directors of Esk Water Authority whose total income falls within each successive $10,000 band of income:

Bands	2006	2005
$10,000 - $19,999	**3**	3
$20,000 - $29,999	**1**	1

7 Remuneration of Auditors

	2006	2005
Auditor of Esk Water Authority		
Auditing the financial report	**8**	7

8 Current Receivables

	2006	2005
Trade receivables	**695**	153
Accrued revenue	**905**	861
Prepayments	**12**	9
	1,612	1,023

9 Current Inventories

	2006	2005
Water on hand	**53**	47
Chemicals on hand	**45**	46
Sundry equipment spares	**132**	117
	230	210

10 Property, Plant & Equipment

	System Infrastructure $'000	Non-Infrastructure Buildings $'000	Other Plant and Equipment $'000	Land $'000	TOTAL $'000
Gross Carrying Amount					
Balance 30 June 2005	205,393	1,264	1,559	1,708	**209,924**
Additions	2,351	0	231	0	**2,582**
Disposals	(1,490)	0	(166)	0	**(1,656)**
Net revaluation (decrements)/increments	(18,962)	109	62	281	**(18,510)**
Balance 30 June 2006	187,292	1,373	1,686	1,989	**192,340**
Accumulated Depreciation					
Balance 30 June 2005	95,847	323	767	0	**96,937**
Disposals	(828)	0	(63)	0	**(891)**
Net revaluation (decrements)/increments	(10,287)	54	(115)	0	**(10,348)**
Depreciation expense	2,680	15	93	0	**2,788**
Balance 30 June 2006	87,412	392	682	0	**88,486**
Net Book Value					
As at 30 June 2005 (at fair values)	109,546	941	792	1,708	**112,987**
As at 30 June 2006 (at fair values)	99,880	981	1,004	1,989	**103,854**
Under Construction					
As at 30 June 2005	774	0	39	0	**813**
As at 30 June 2006	292	0	57	0	**349**

10 Property, Plant & Equipment (continued)

Depreciation

Aggregate depreciation allocated during the year has been recognised as an expense and is disclosed in note 3 to the financial statements.

Valuation and Revaluation

The fair value basis is applied for measuring property, plant and equipment. The revaluation methodology applied in determining fair value is deprival value - the value of the future economic benefits that would be foregone if the entity were to be deprived of an asset and was required to continue to provide goods and services using that asset. All property, plant and equipment were fully revalued as at 30 June 2006 by Mr John Armatys AAPI of the Australian Valuation Office. The revaluation decrement in the current year primarily reflects decreases in pipe values brought about by the availability of quantity discounts provided by suppliers. The next full revaluation is scheduled to occur effective 30 June 2009.

Movements in the asset revaluation reserve are shown at note 20.

The carrying amount of property, plant and equipment, had they been recognised under the cost model since the establishment of the Authority, are as follows:

	System Infrastructure $'000	Non-Infrastructure Buildings $'000	Other Plant and Equipment $'000	Land $'000	TOTAL $'000
As at 30 June 2005	83,572	706	745	1,138	**86,161**
As at 30 June 2006	83,413	695	792	1,138	**86,038**

	2006 $'000	2005 $'000
11 Other Non-Current Assets		
Amounts deferred relating to re-alignment of pay days	**5**	5
12 Current Payables		
Trade payables	**185**	329
Accrued expenses	**352**	408
	537	737
13 Current Interest-Bearing Liabilities		
Secured:		
Loans	**0**	2,000

Loans are secured by a Deed of Charge over future revenue.

	2006 $'000	2005 $'000
14 Current Provisions		
Employee entitlements (note 17)	**353**	388
On-costs on employee entitlements	**13**	10
	366	398
15 Other Current Liabilities		
Sundry clearing accounts	**1**	1
	1	1
16 Non-Current Provisions		
Employee entitlements (note 17)	**1,745**	1,871
On-costs on employee entitlements	**0**	3
	1,745	1,874

	2006 $'000	2005 $'000

17 Employee Entitlements

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

	2006 $'000	2005 $'000
Provision for employee entitlements		
Current (note 14)	353	388
Non-current (note 16)	1,745	1,871
	2,098	2,259

	2006 No.	2005 No.
Number of full time equivalent employees at end of financial year:	24.6	24.6

18 Defined Benefit Superannuation Plans

(a) City of Launceston Employees Superannuation Fund

Following the resignation of the only employee member the Authority is no longer a participant of the City of Launceston Employees Superannuation Fund and has no outstanding financial obligations.

(b) Retirement Benefits Fund (RBF)

Plan Information

RBF is a defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary). RBF has Contributory members, Compulsory Preserved members and pensioners.

Actuarial Valuation

Esk Water's defined benefit RBF superannuation plan net liability was valued by Pricewaterhouse Coopers Securities Ltd as at 30 June 2006 and as at 30 June 2005. The data contained below was provided by the actuary who has noted that small differences may occur in the reported totals due to rounding of figures.

Key assumptions as at balance date and for following year expense

	2006	2005
Discount rate - gross of tax	5.80%	5.30%
Discount rate - net of tax	5.70%	5.20%
Salary rate	4.50%	4.50%
Expected return on plan assets (net of tax)	7.00%	7.00%
Inflation (pensions)	2.50%	2.50%
Tax rate for Employer contributions*	7.21%	7.86%
Tax rate for Discount rate	2.25%	2.25%
Decrement rates	as per the most recent actuarial investigation and report	as per the most recent actuarial investigation and report

(* the 30 June 2006 tax rate for employer contributions is based on the balance of Pre-July 1988 Funding Credits balance as at 30 June 2005 as this was the most recent information available.)

The expected return on plan assets (net of tax) has been based on the expected long term returns for each of the major asset classes in which the Plan invests.

Plan Assets - Asset Disclosure

	2006	2005
Australian equities	38%	36%
Overseas equities	20%	20%
Fixed interest securities	21%	25%
Property	21%	19%

18 Defined Benefit Superannuation Plans (continued)

	2006 $'000	2005 $'000
Balance Sheet Results - Net Liability		
Defined Benefit Obligation	2,237	2,375
Contributions Tax Liability	130	151
Total Defined Benefit Obligations	2,367	2,526
less: RBF Contributory Scheme Assets*	(572)	(603)
Net liability/(asset)	1,795	1,923
Current net liability	61	270
Non-Current net liability	1,734	1,653

(* using unaudited accounts as at 30 April 2006, rolled forward to 30 June 2006, and audited accounts as at 30 June 2005.)

	2006 $'000	2005 $'000
Funded Status - Defined Benefit Obligations		
Funded*	600	701
Unfunded	1,767	1,825
Total Defined Benefit Obligations	2,367	2,526

(* The contributions tax liability has been included in the unfunded portion of the defined benefit obligation.)

	2006 $'000	2005 $'000
Movement in Net Liability		
Net liability/(asset) in balance sheet at end of prior year	1,923	1,698
Expense recognised in profit and loss	(15)	354
Actual employer contributions	(113)	(129)
Net liability/(asset) in balance sheet at end of year	1,795	1,923
Profit and Loss Results - Expense Recognised		
Employer service cost	41	59
Contribution tax expense	1	1
Total Employer service cost	42	60
Interest cost	118	124
less: Expected return on Plan assets	(37)	(38)
Recognised actuarial gains/(losses)	(138)	208
Expense recognised	(15)	354
Reconciliation - Fair Value of Plan Assets		
Fair value of Plan assets at end of prior year	603	560
Estimated employer contributions from accounts	113	129
Estimated participant contributions	15	31
less: Estimated operating costs	(5)	(4)
less: Estimated benefit payments	(258)	(184)
Expected return on assets	37	38
Expected Plan assets at end of year	505	570
Fair value Plan assets at year end*	572	603
Acuarial gain/(loss) on assets	67	33
Estimated actual return on plan assets^	68	76

(* using unaudited accounts as at 30 April 2006, rolled forward to 30 June 2006, and audited accounts as at 30 June 2005.)

(^ Fair value of Plan assets cannot be reconciled using the estimated figures shown in the table above, as a number of items such as net assets, operating costs and investment returns can only be estimated using the proportion of funded liabilities for each authority compared to that of the RBF Contributory Scheme as a whole.)

18 Defined Benefit Superannuation Plans (continued)

Defined Benefit Obligations (Net Discount Rate)

	Including Contributions Tax		Excluding Contributions Tax	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Total Defined Benefit Obligations at end of prior year	**2,526**	2,258	**2,375**	2,161
Employer service costs plus operating costs	**42**	60	**41**	59
Interest costs	**118**	124	**118**	124
Actual Participant contributions	**15**	31	**15**	31
less: Actual operating costs (administration and insurance)	**(5)**	(4)	**(5)**	(4)
less: Actual benefit payments	**(258)**	(184)	**(258)**	(184)
Expected Defined Benefit Obligations at Year End	**2,438**	2,285	**2,286**	2,187
Actual Defined Benefit Obligations at Year End	**2,367**	2,526	**2,237**	2,375
Actuarial (gain)/loss on liabilities	**(71)**	241	**(49)**	188

	2006	2005
	$'000	$'000
Contributions Tax		
Defined Benefit Obligations at end of prior year	**2,375**	2,161
less: Fair value of Plan assets at end of prior year*	**603**	560
Net Obligation	**1,772**	1,601
Contributions Tax at end of prior year	**151**	96
Contributions tax expense	**1**	1
Expected Contributions Tax at year end^	**152**	97
Actual Contributions Tax at year end^^	**130**	151
Actuarial (gain)/loss on contributions tax	**(22)**	54

(* using unaudited accounts as at 30 April 2006, rolled forward to 30 June 2006, and audited accounts as at 30 June 2005.)

(^ using tax rate for employer contributions tax as at 30 June 2005 of 7.86%)

(^^ using tax rate for employer contributions tax as at 30 June 2006 of 7.21%)

Reconciliaion of Actuarial (gain)/loss		
Unrecognised actuarial (gain)/loss at end of prior year	**0**	0
Actuarial (gain)/loss on assets	**(67)**	(33)
Actuarial (gain)/loss on liabilities	**(49)**	188
Actuarial (gain)/loss on Contributions Tax	**(22)**	54
less: Amount recognised during year in profit and loss	**(138)**	208
Adjustment due to rounding	**0**	(1)
Unrecognised actuarial (gain)/loss at end of year	**0**	0
Interest Cost		
Defined Benefit Obligations at end of prior year (net discount rate)	**2,375**	2,161
Actual benefit payments	**258**	184
less: Weighting for timing (Actual benefit payment / 2)	**129**	92
Average benefit obligations	**2,246**	2,069
Discount rate	**5.20%**	6.00%
Calculated Interest cost	**118**	124
Interest Cost used in calculation	**118**	124

18 Defined Benefit Superannuation Plans (continued)

	2006 $'000	2005 $'000
Expected Return on Assets		
Fair value of Plan assets at end of prior year*	603	560
Actual Employer Contributions	113	129
Weighted for timing (Actual employer contributions / 2)	56	65
Actual Participant Contributions	15	31
Weighted for timing (Actual participant contributions / 2)	8	15
Actual operating costs (administration and insurance)	(5)	(4)
Weighted for timing (Actual operating costs / 2)	(3)	(2)
Actual benefit payments	(258)	(184)
Weighted for timing (Actual benefit payments / 2)	(129)	(92)
Average expected assets - using timing weightings	535	546
Assumed rate of return	7.00%	7.00%
Calculated Expected Return on Assets	37	38
Expected Return on Assets used in calculation	37	38

(* using unaudited accounts as at 30 April 2006, rolled forward to 30 June 2006, and audited accounts as at 30 June 2005.)

	2006 $'000	2005 $'000
Net Liabiltiy / (Asset) at Year End		
Actual Defined Benefit Obligations at Year End	2,237	2,375
Actual Contributions Tax at year end	130	151
Total Defined Benefit Obligations at year end	2,367	2,526
less: Actual assets at year end*	572	603
Net Liabiltiy / (Asset)	1,795	1,923
Actuarial Gain / (Loss) for Year		
Defined benefit obligations (net of tax, prior year assumptions)	2,368	2,149
Contributions tax (prior year assumptions)	154	93
less: Defined benefit obligations (net of tax, current assumptions)	2,237	2,375
less: Actual Contributions Tax at year end	130	151
Actuarial Gain / (Loss) for Year due to assumptions	155	(284)
Actuarial Gain / (Loss) for Year due to experience	(84)	43
Actuarial Gain / (Loss) on assets	67	33
Actuarial Gain / (Loss) for Year	138	(208)

History	2004 $'000	2005 $'000	2006 $'000
Total Defined Benefit Obligation at year end	2,258	2,526	2,367
less: Actual Assets at year end	(560)	(603)	(572)
Deficit/(Surplus)	1,698	1,923	1,795
Experience Adjustment on Liabilities - gain/(loss)	0	43	(84)
Experience Adjustment on Assets - gain/(loss)	0	33	67

Funding and Contribution Information

The data below shows the surplus/(deficit) of the RBF as determined in accordance with AAS25 "Financial Reporting by Superannuation Funds" as at 30 June 2005, the date of the most recent actuarial funding report. These figures are calculated for funding purposes and relate to the RBF Contributory Scheme as a whole (unlike data above which relate only to Esk Water's share).

	2005 $'000
Accrued Benefits Liability for RBF Scheme as a whole	(3,892,933)
Net Market Value of RBF Scheme Assets as a whole	1,255,312
Surplus/(Deficit)	(2,637,621)

18 Defined Benefit Superannuation Plans (continued)

The present value of the total accrued benefits for the Contributory Scheme as a whole (both funded and unfunded components), for the purpose of AAS25, was calculated to be $3,892.933 million.

The employer does not make regular contributions but rather meets the cost of the benefits as they emerge by paying a percentage of the benefit as it falls due (as defined by the Retirement Benefits Regulations 2005).

The economic assumptions used to calculate these figures were:

Discount rate	7.0%
Salary inflation (inclusive of promotional increases)	4.5%
Rate of Compulsory Preserved benefit increases (AWOTE)	4.0%
Rate of pension increases (CPI)	2.5%

	2006 $'000	2005 $'000
19 Retained Profits		
Balance at beginning of financial year	(416)	(1,086)
Transfers from reserves	219	16
Net profit	2,096	2,316
Dividends paid	(1,608)	(1,662)
Balance at end of financial year	291	(416)
20 Reserves		
(a) Reserves Comprise		
Asset revaluation reserve	15,931	21,865
(b) Movements in Reserves		
Asset Revaluation Reserve		
Balance at beginning of financial year	21,865	12,797
Revaluation increments/(decrements)	(8,162)	13,644
Transferred to retained profits	(219)	(16)
Revaluation increments/decrements recognised in profit and loss	(1)	(668)
Deferred tax equivalent liability arising on revaluation	2,449	(3,893)
Balance at end of financial year	15,931	21,865
21 Dividends		
To owner Councils		
Recognised amounts		
Final dividend - prior year	946	847
Interim dividend - current year	662	815
	1,608	1,662
Unrecognised amounts		
Final dividend - current year	963	946
22 Commitments for Expenditure		
Plant and equipment		
Not longer than 1 year	1,124	939

23 Segment Reporting and Economic Dependency

Esk Water operates predominantly in the business of bulk water supply and related activities and predominantly in the geographical area of the Launceston/Tamar Valley region of Tasmania.

An economic dependency exists in that a significant volume of Esk Water's sales are made to Launceston City Council.

24 Related Party Transactions

	2006 $'000	2005 $'000
(a) Compensation of Key Management Personnel		
The aggregate compensation for key management personnel of the Authority, including directors' remuneration as disclosed in note 6, is set out below.		
Short-term employee benefits	**454**	436
Other long-term benefits	**2**	20
	456	456

	2006 $'000	2005 $'000
(b) Transactions With Associates		
During the financial year the Authority made water sales to owner-councils. The water rate charged, which is applied consistently to all customers of the Authority, is set at a rate less than the maximum permitted by the Government Prices Oversight Commission (GPOC). Water sales to owner-councils for the financial year total	**8,087**	8,082
The outstanding balance of these sales at balance date total	**599**	99
During the financial year the Authority sold goods and services to owner-councils on normal commercial terms and conditions totalling	**43**	0
The outstanding balance of these sales at balance date total	**6**	0
During the financial year the Authority purchased goods and sevices from owner-councils on normal commercial terms and conditions totalling	**75**	75
The outstanding balance of these purchases at balance date total	**0**	1

	2006 $'000	2005 $'000
(c) Transactions With Other Related Parties		
During the financial year director related entities provided services that were trivial in nature on normal commercial terms and conditions totalling	**6**	6
During the financial year the Authority made contributions to defined benefit superannuation funds totalling	**118**	188

	2006 $'000	2005 $'000

25 Notes to the Cash Flow Statement

(a) Reconciliation of Cash

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2006 $'000	2005 $'000
Cash assets	5,744	6,355

(b) Non-Cash Financing and Investing Activities

No non-cash financing or investing activities were entered into during the year.

(c) Financing Facilities

An ongoing Master Loan Facility Agreement is in place with the Tasmanian Public Finance Corporation to facilitate borrowings for which Treasury approval is held. At balance date no Treasury approvals were held and no credit standby arrangements or unused loan facilities were in place.

(d) Reconciliation of Profit from Ordinary Activities after Related Income Tax Equivalent to Net Cash Flows from Operating Activities

	2006 $'000	2005 $'000
Profit from ordinary activities after related income tax equivalent	2,096	2,316
Loss on sale of non-current assets	686	39
Depreciation of non-current assets	2,788	2,485
Other revenue - asset contribution	(769)	0
Other revenue - asset revaluation decrements/increments	(1)	(668)
Increase in deferred tax equivalent balances	902	995
(Increase)/decrease in assets:		
current receivables	(589)	391
current inventories	(20)	1
other non-current assets	0	0
Increase/(decrease) in liabilities:		
current trade payables	(87)	125
current provisions	(32)	(32)
non-current provisions	(129)	237
Net cash from operating activities	4,844	5,889

26 Financial Instruments

(a) Significant Accounting Policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

(b) Interest Rate Risk

The following tables detail Esk Water Authority's exposure to interest rate risk:

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity Less than 1 year	Fixed Interest Rate Maturity 1 year to 5 years	Non-Interest Bearing	**2006 TOTAL**
2006	%	$'000	$'000	$'000	$'000	**$'000**
Financial Assets						
Cash	5.67%	5,744	0	0	0	**5,744**
Trade receivables	0.00%	0	0	0	1,612	**1,612**
		5,744	0	0	1,612	**7,356**
Financial Liabilities						
Trade payables	0.00%	0	0	0	537	**537**
Loans	N/a	0	0	0	0	**0**
Other	0.00%	0	0	0	1	**1**
		0	0	0	538	**538**

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity Less than 1 year	Fixed Interest Rate Maturity 1 year to 5 years	Non-Interest Bearing	**2005 TOTAL**
2005	%	$'000	$'000	$'000	$'000	**$'000**
Financial Assets						
Cash	5.60%	6,355	0	0	0	**6,355**
Trade receivables	0.00%	0	0	0	1,023	**1,023**
		6,355	0	0	1,023	**7,378**
Financial Liabilities						
Trade payables	0.00%	0	0	0	737	**737**
Loans	6.00%	0	2,000	0	0	**2,000**
Other	0.00%	0	0	0	1	**1**
		0	2,000	0	738	**2,738**

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Esk Water Authority. The credit risk on financial assets recognised in the balance sheet is generally the carrying amount net of any allowance for loss. Monthly billing of major customers minimises the Authority's exposure to credit risk.

(d) Net Fair Value

Except as detailed in the following table, the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements. The net fair value of financial assets and financial liabilities excluding loans equates to their carrying values as all amounts due are expected to be recovered and all amounts payable are expected to be outlaid. The net fair value of the loans financial liability is based on market interest rates at balance date for fixed rate loans with similar remaining terms.

	Carrying Amount		Net Fair Value	
	2006	2005	**2006**	2005
Financial Liabilities	**$'000**	$'000	**$'000**	$'000
Loans	**0**	2,000	**0**	2,004

27 Additional Information

Esk Water Authority is a local government joint authority established in accordance with the *Local Government Act 1993* operating in the state of Tasmania, Australia.

Registered office and principal place of business:

323 George Town Road

Rocherlea Tas 7248

Esk Water Authority

323 George Town Road
Rocherlea Tasmania 7248

PO Box 745
Launceston Tasmania 7250

T: (03) 6336 2511
F: (03) 6336 2567
E: reception@eskwater.com.au

www.eskwater.com.au

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SYSTEM CERTIFICATION ISO 14001 SGS

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