

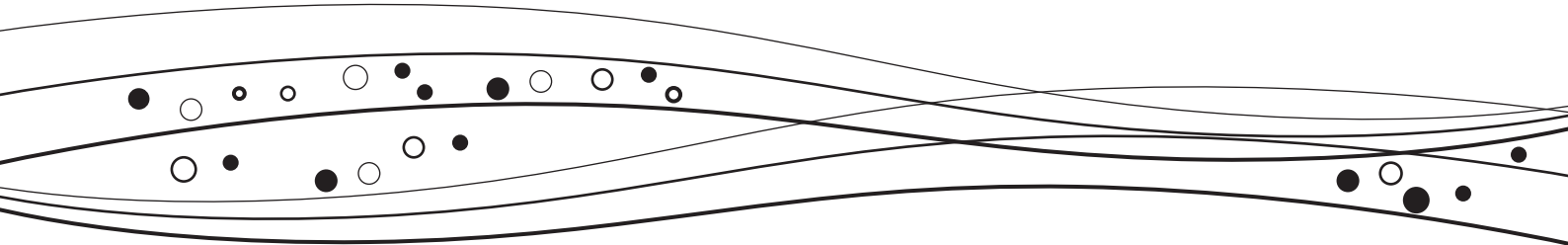
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# Gladstone Area Water Board



## 2013 Annual Report

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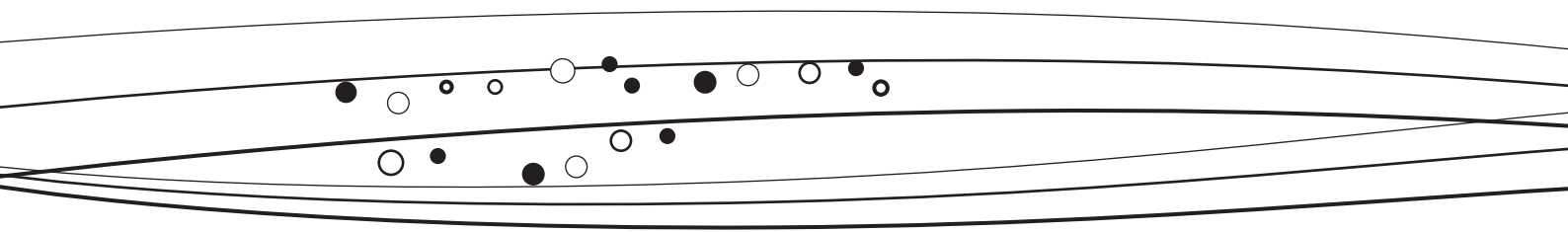
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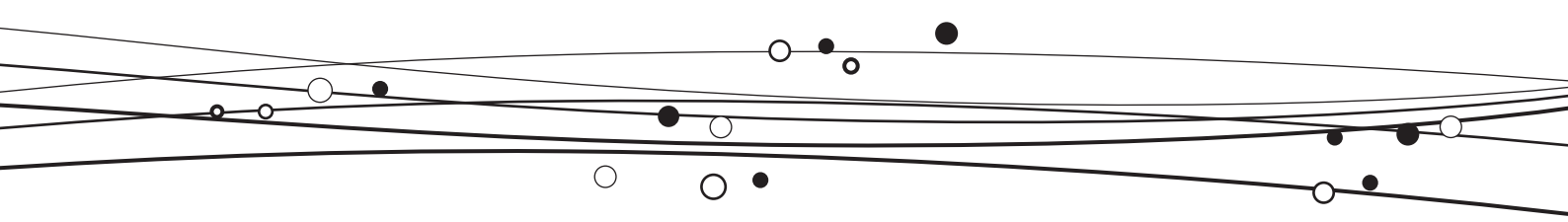
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## Gladstone Area Water Board

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# Chairperson's letter

The Honourable Mark McArdle MP  
The Minister for Energy and Water Supply  
PO Box 15216  
City East Brisbane Qld 4002

Dear Minister

I am pleased to present the Annual Report 2013 and financial statements for the Gladstone Area Water Board.

I certify that this Annual Report complies with:

- » the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*; and
- » the detailed requirements set out in the *Annual Report Requirements for Queensland Government Agencies*.

A checklist outlining the annual reporting requirements can be accessed at [www.gawb.qld.gov.au](http://www.gawb.qld.gov.au).

Yours sincerely

**Mary Boydell**  
Chairperson





# Chairperson's review

By virtue of section 1084 of the *Water Act 2000* (the Act), Gladstone Area Water Board (GAWB) is a Category 1 Water Authority. It is also a registered water service provider under the *Water Supply (Safety and Reliability) Act 2008* (WSSRA). GAWB operates as a commercialised statutory authority with the function of carrying out water activities. As a commercialised entity, GAWB has a key objective of ensuring its operations are as efficient as possible, with its prices being cost reflective.

GAWB owns and operates Awoonga Dam on the Boyne River along with a network of delivery pipelines, water treatment plants and other bulk water distribution infrastructure in the Gladstone region in Central Queensland. GAWB holds an allocation of 78,000ML per annum (ML p.a.) from Awoonga Dam on the Boyne River by virtue of a Resource Operations Licence (ROL) issued pursuant to the *Water Resource (Boyne River Basin) Plan 2000* (WRP).

## Contingent Supply Strategy

Cognisant of the criticality of the security and reliability of its supply to customers, GAWB's Contingent Supply Strategy (CSS) requires it to hold the capability to efficiently respond to identified 'supply failure scenarios'. These scenarios include events such as failure of storage from (or 'as a consequence of') drought or inability to meet additional demand which may be in excess of its present water allocation.

The CSS has seen GAWB:

- » conclude detailed designs for the Gladstone to Fitzroy Pipeline (GFP) as well as obtaining necessary land and other environmental approvals
- » secure an entitlement to 30,000ML p.a. of high reliability water from the lower Fitzroy River, which was formalised through the amendment of the Fitzroy Basin Resource Operations Plan 2004 in July 2009 and
- » in conjunction with its joint proponent (SunWater), progress preparation of the Environmental Impact Statement (EIS) and business case for the construction (if and when required) of additional water storage on the lower Fitzroy River (as part of the Lower Fitzroy River Infrastructure Project (LFRIP)).

While GAWB recognises that it is essential for it to have a 'shovel ready' solution in case the need for augmentation arises, it equally recognises the need for this to represent the most efficient response to the needs of its current and future customers. For this reason, GAWB continues to monitor alternatives to the GFP/LFRIP (such as desalination) and, via its commercial framework, to support demand reduction initiatives by customers that defer augmentation (where this represents the best investment for all customers).

## Ex-Tropical Cyclone Oswald

An extreme rainfall event in late January 2013 associated with ex-Tropical Cyclone Oswald led to record inflows into Lake Awoonga, which reached a peak level of 48.30m AHD (approximately 1,500GL or 193% of capacity). Water commenced spilling over the main spillway when the water level reached 40m on 25 January and continued to spill until early May. Water also flowed over the auxiliary spillway at Saddle Dam 3 for approximately 12 hours on 27 January 2013.

This was a rainfall event having a probability of close to 1 in 2,000 of occurring in any one year. GAWB managed the spill event in accordance with its Emergency Action Plan. GAWB was in continuous contact with the Local Disaster Management Group (LDMG) throughout the event, providing advice about modelling and consequences, and was also in close contact with the Dam Safety Regulator.

The dam infrastructure performed in accordance with design specifications, although the auxiliary spillway at Saddle Dam 3 and other infrastructure at Awoonga Dam will require some remediation work. This work will be completed before the next wet season.

The flood event caused high turbidity in raw water from Lake Awoonga over an extended period. The Gladstone Water Treatment Plant (GWTP) has processes and sufficient capacity to respond to higher turbidity. When the smaller Yarwun Water Treatment Plant (YWTP) experienced difficulty in dealing with the high turbidity, GAWB engaged with its customers for YWTP potable water and:

- » declared water treated at YWTP to be non-potable for a number of weeks until the plant's processes were stabilised, tested and confirmed
- » continued to supply treated (but non-potable) water, with the customers' agreement, for industrial use and
- » implemented alternative arrangements to maintain supply of potable water to non-industrial customers during this period.

# Chairperson's review continued

## **Curtis Island Pipeline Project**

The Curtis Island Pipeline Project reached Practical Completion with the completion of substantially all works on Curtis Island in early June 2013. The pipeline and associated infrastructure were constructed to meet the water needs of the liquefied natural gas (LNG) proponents on Curtis Island, and to thus avoid the unnecessary discharge of brine into Gladstone Harbour associated with the desalination facilities that would otherwise have been necessary to supply these customers. The project was undertaken jointly with Gladstone Regional Council (GRC), which has connected its waste water treatment facilities to Curtis Island. GAWB has acted as GRC's disclosed agent in the day to day management of the Project. The Project promotes the use of common user infrastructure and provides benefits to GAWB's existing customers through better utilisation of existing infrastructure.

## **Acceptable Flood Capacity of Awoonga Dam**

Changes to the *Guidelines on Acceptable Flood Capacity for Water Dams* caused GAWB to undertake a review of the Awoonga Dam works required to be undertaken by October 2015. This review has also had regard to damage experienced and other information obtained as a result of the January 2013 flood event.

## **Operations**

GAWB has continued to implement and finalise a number of operational activities and projects during the financial year and developed capability with improved resources and appropriate systems. All of these activities provide GAWB with the capability to continue efficient and effective operations to meet the water needs of its customers and the region into the future.

At 30 June 2013, GAWB had total assets of \$555.835 million, with equity of \$273.725 million, and employed 82 people (79 full time equivalents). GAWB's revenue in 2012/13 from the supply of water was \$54.212 million. Net profit after tax for the year ended 30 June 2013 totalled \$8.345 million.



## Vision

To be an excellent water business



## Mission

To ensure the long and short term water needs of current and future customers are met in ways that are environmentally, socially and commercially sustainable



## Values

Our values guide the way we work to achieve our vision:

Professionalism

» individual and collective

Accountability

» clarity and commitment

Communication

» clear and concise

Trust

» earning and conferring



# Overview of the year

## Significant highlights for the 2012/13 reporting year

During the year, GAWB continued to meet the water needs of its customers through the achievement of the best possible outcomes against its four interlinked business goals, namely:

- » meeting water needs – to understand, facilitate and satisfy the water requirements of current and future customers
- » commercial results – to ensure GAWB's profitability and build the value of the business
- » corporate responsibility – to be regarded as a responsible corporate citizen and
- » capability – to plan, develop and manage resources to support sustainable outcomes.

Although the Flood Commission of Inquiry (FCI) made no specific recommendations in relation to GAWB and Awoonga Dam, GAWB considered the FCI's general recommendations and, in particular, those relevant to emergency response plans. Consistent with recent amendments to the WSSRA, GAWB plans to implement appropriate changes to its emergency planning and other processes by October 2013.

GAWB has procedures in place to respond to any potential issues that may arise from flooding, both upstream and downstream from Awoonga Dam.

## Meeting water needs

- » Water quality tests completed were compliant with the Australian Drinking Water Guidelines and GAWB's Drinking Water Quality Management Plan (DWQMP).
- » Reviewed Emergency Action Plans and planned improvements where necessary to comply with the FCI recommendations and WSSRA changes due October 2013.
- » Completed the implementation of GAWB's Asset Management System, and commenced asset condition assessment process for high risk assets.
- » Undertook a review of the Awoonga Dam works required to be undertaken by October 2015 and revised designs for compliance with recent changes to applicable Acceptable Flood Capacity requirements.
- » Completed construction of the Curtis Island Pipeline Project, facilitating the supply of water under the Common Use Infrastructure Agreement with LNG proponents.
- » Acquired suitable land tenure for the development of an offline storage reservoir, to improve water reliability for Gladstone region, together with other land required for the GFP and Curtis Island Pipeline projects.
- » Engaged with GRC to pursue specific opportunities to align water services operations to achieve efficiencies and improve outcomes for GAWB, GRC and the region, with specific tasks for each key activity delegated and underway.
- » Engaged with the Queensland Competition Authority (QCA) and stakeholders in preparation for the 2015 Price Review, and commenced development of strategy, project plan and timelines.
- » Provided input to the revision by the Department of Natural Resources and Mines (DNRM) of the WRP and *Boyne River Basin Resource Operations Plan 2003* (Boyne River ROP), and commenced development of GAWB's submission in response to the public consultation period for the draft revised WRP and Boyne River ROP.
- » Reviewed GAWB's *Strategic Water Plan (SWP)* and, following customer and other stakeholder consultation, prepared a major update (to be finalised in the first half of 2013/14).

## Commercial results

- » Water revenue of \$54.212 million (60,926ML reserved and supplied) compared to target sales of \$55.546 million (60,009ML reserved and supplied).
- » Operating expenses of \$19.328 million compared to budget expenditure of \$18.226 million.
- » Earnings before interest and tax (EBIT) of \$23.280 million compared to target of \$24.185 million.
- » Net profit after tax equivalents of \$8.345 million compared to budgeted profit of \$7.937 million through lower than budget interest expense, depreciation and amortisation.
- » Return on assets (ROA) of 4.27% compared to target of 4.44%.
- » Exceeded BBB metrics for interest cover ratios.

## Overview of the year continued

### Corporate citizenship

- » Recorded one lost time injury (LTI) in 2012/13. As at 30 June 2013, GAWB had operated for 347 days without recording any further LTIs.
- » Demonstrated ongoing commitment to safety to ensure compliance with national work place laws is maintained.
- » Complied with environmental obligations and reporting requirements of the Boyne River ROP, ROL and Department of Environment and Heritage Protection.
- » Managed flood and dam spilling events that occurred from late January 2013 to early May 2013, including resulting high turbidity effect on water quality and liaison with regulators regarding the impacts of the record flood levels in the region.
- » Provided a turtle triage facility within existing hatchery operations under an agreement with an LNG proponent.

### Capability

- » Developed capability framework for identifying core, enabling and key competencies considered necessary for GAWB to meet its objectives with planned whole of business roll out in 2013/14.
- » Exceeded target staff retention rate (86%) in a regional environment of intense demand.
- » Maintained staff satisfaction survey results, with a result of 5.1/7 compared to previous 5.3/7.
- » Recruited suitable resources and developed capability in GAWB operations, including operational maintenance, water quality and treatment roles.
- » Improved standard operating procedures for safety, risk and work method requirements with ongoing review and development required to maintain quality assurance, safety and environmental management accreditations within the relevant ISO or AS/NZS.
- » Further improved GAWB's risk management framework and corporate risk profile following a detailed review of risk registers and the delivery of planned mitigating actions.
- » Finalised IT Capability Concept Review, which provides a pathway for business case assessment in 2013/14.
- » Undertook a review of GAWB's long term accommodation needs and options, with criteria and objectives defined.

GAWB's actual performance in 2012/13 is set out in the Headline KPMs table on the following page, with comparisons against key performance measure (KPM) targets set out in the Performance Plan 2012/13 and results for the 2011/12 year.

GAWB uses KPMs to assist in monitoring the efficiency and effectiveness of its operations. GAWB considers relevant industry benchmarks in the formulation of these KPMs.

The following table provides a snapshot of GAWB's financial position<sup>1</sup> at 30 June 2013.

		2013	2012
Profit and Dividend			
Water sales revenue <sup>2</sup>	\$ million	54.2	50.9
Total revenue	\$ million	57.8	59.0
Earnings before interest and tax	\$ million	23.3	27.3
Profit/(loss) after tax	\$ million	8.3	12.1
Dividends paid	\$ million	2.4	2.3
Cash Flow			
Net Cash from operating activities	\$ million	20.8	24.9
Balance Sheet			
Total assets	\$ million	555.8	534.4
Total equity	\$ million	273.7	262.2
Total borrowings	\$ million	211.8	206.8

<sup>1</sup> Includes revaluation and impairment calculations

<sup>2</sup> Includes transfer from unearned income provision



# Overview of the year continued

## Headline KPMs

	Year Ended 30 June			
	2013	2012		
	Actual	Target	Actual	
<b>Headline KPMs</b>				
<b>Meeting Water Needs</b>				
<b>Water Demand</b>				
Variation between actual customer reservations & regulatory forecast demand:				
• Current year	%	+2.2 ✓	+10/-5	+2.0
• Cumulative since last Price Review	%	+1.4 ✓	+10/-5	+1.0
<b>Water Supply</b>				
<i>Sufficiency</i>				
Preparedness for Large Scale Augmentation > 10,000ML p.a.	%	100 ✓	100	100
Preparedness for Small Scale Augmentation < 10,000ML p.a.	%	100 ✓	100	100
<i>Water Quality</i>				
Potable water fitness to drink	%	100 ✓	100	100
<i>Cost/Efficiency</i>				
CAPEX Spend on all projects <sup>1</sup>	\$ million	8,787 ✗	25,526	11,829
<b>Commercial Results</b>				
<i>Profitability</i>				
EBIT	\$ million	23,280 △	24,186	27,270
ROA	%	4.27 △	4.44	5.51
Operating expenditure (less depreciation & interest) vs budget	%	104 △	<100	112
<b>Corporate Citizenship</b>				
<b>Safety</b>				
Lost time injuries	No.	1 ✓	≤2	1
<b>Environmental Responsibility</b>				
Compliance with environmental legislation and standards – no breach notices received	%	100 ✓	100	100
<b>Capability</b>				
Percentage of Headline KPMs achieved	%	56 ✗ <sup>2</sup>	100	80

<sup>1</sup> The total program spend quoted excludes expenditure incurred on the Curtis Island Pipeline Project. Out of the 83 projects planned for the year, 17 had reached practical completion. Projects were re-prioritised during the year due to the requirements of the Curtis Island Pipeline Project and the availability of contractors to perform the work.

<sup>2</sup> Actual performance was within 4% of target for a further three (designated △) of the Headline KPMs.



# Board of Directors' profiles



## Mary S. Boydell BCom, FCA, of Brisbane Chairperson

Appointed to the Board on 29 June 2001 and appointed Chairperson from 22 February 2002, Ms Boydell is also Chairperson of the Audit & Risk Management Committee. Ms Boydell serves as a Board member of the Commonwealth Scientific and Industrial Research Organisation (CSIRO), and a Director of Uniquet Limited and UATC Pty Ltd. She served as the Acting Commissioner of the Queensland Water Commission for the period to 31 December 2012. Her previous appointments include Commissioner of the Queensland Water Commission, Chairperson of the Rural Industries Research and Development Corporation, Board Member of the Queensland Bulk Water Supply Authority and Director of Energex Limited, South East Queensland Water Corporation Limited, BSES Limited, the Australian Trade Commission (Austrade) and Burnett Water Pty Ltd. She is a Chartered Accountant with significant experience in business, finance and corporate administration and has also served as a member of the Queensland Regional Council of the Institute of Chartered Accountants in Australia (Chairman for 2008).



## Craig W. Butler, of Targinnie

Appointed a Director on 17 September 2004, Mr Butler was a member of the Calliope Shire Council from 1997 until the Local Government amalgamation. He was elected as a Councillor of the Gladstone Regional Council in March 2008 and continued in the role as Councillor until the council elections conducted in April 2012. Mr Butler was appointed as a member of the Board's Audit & Risk Management Committee in August 2008 and was a member of the Capital Works & Technical committee until December 2011. Mr Butler has extensive experience as a surveyor across the mining, engineering and construction, and land development fields. He has been a Director and partner in a local consultant surveying business and has a long record of involvement in various community organisations including executive positions.



## Clyde Cameron, of Calliope

Appointed a Director on 14 August 2009, Mr Cameron was a Councillor of the Gladstone Regional Council from March 2008 to April 2012, previously serving as Councillor with the former Calliope Shire Council from March 2004. He has been Chairperson of the Human Resources & Remuneration Committee since 14 March 2011. Mr Cameron is a primary producer of cattle and fourth generation owner of a local grazing property. He is also a Director for the Fitzroy Basin Association.



## Warren Dinte FAICD, JP (Comm of Dec), of Bli Bli

Mr Dinte has served as a member of the Board continuously since 1997, prior to GAWB's commercialisation in 2000. At his initial appointment, Mr Dinte was one of the then Calliope Shire Council's two nominees. Following the creation of the Gladstone Regional Council in 2008, Mr Dinte, although not a Councillor, was re-nominated by the Regional Council. Mr Dinte is a member of the Works Committee and the Human Resources & Remuneration Committee. Owner of a small business for 30 years until his retirement, Mr Dinte has extensive experience as Secretary or Member of Statutory Authorities, including 16 years as a Councillor. He is a Fellow of the Australian Institute of Company Directors.



## Amelia Hodge LLB, GradCertPropEc, of Bardon

Appointed a Director on 16 July 2010, Ms Hodge is a member of the Audit & Risk Management Committee. In addition, Ms Hodge serves as a non-executive Director of Transmax Pty Ltd and chairs its Audit, Risk & Finance Committee. She is also a member of the Great Artesian Basin Advisory Council. During the course of her career, Ms Hodge has undertaken senior management roles across a range of infrastructure projects for state and local government entities, and currently holds the role of Manager Approvals at Origin Energy. She has previously had her own private legal practice specialising in the areas of Property and Commercial law and is a member of several professional associations. Ms Hodge has completed both the Australian Institute of Company Directors and Harvard University Kennedy School of Government Infrastructure and the Market Economy Executive Programmes.

## Board of directors profiles continued



**Malcolm Leinster** BTech (MechEng), GradDipAppComp, MIEAust, CPEng, RPEQ, GAICD, of Gladstone  
Mr Leinster was nominated as a Director by Gladstone Regional Council, and appointed on 4 August 2011. He was appointed to the Works Committee in December 2011. Mr Leinster is a Mechanical Engineer with a background in electrical power generation. He has served in that industry for over 35 years and is an Adjunct Professional Fellow at CQ University. His experience covers the design, construction, commissioning, operation and maintenance of heavy equipment and complex systems. Mr Leinster has been a Chartered Member of the Institution of Engineers for most of his career, and has contributed to running that body's activities in the Gladstone region as a member of the Executive Committee and various organising committees. He continues to be involved in activities to interest school students in science and mathematics, and career paths in engineering.



**John J. Mulheron** BE (Civil), GradDipBA, of Brisbane  
Appointed a Director on 15 December 2000, Mr Mulheron is Chairperson of the Works Committee and a member of the Human Resources & Remuneration Committee. Mr Mulheron is a water industry consultant and is a former career public servant and Coordinator-General in the Queensland Premier's Department.

**The number of meetings of the Board and its standing committees attended by each Director during the 2012/13 financial year is set out below.**

Director	Board Meetings	
	Attended	Held <sup>1</sup>
Ms M.S. Boydell	19	19
Mr C.W. Butler	14	19
Mr C. Cameron	18	19
Mr W. Dinte	19	19
Ms A. Hodge	15	19
Mr M. Leinster	18	19
Mr J.J. Mulheron	17	19

<sup>1</sup> Reflects the number of meetings held during the time the Director held office during the year.

Director	Audit & Risk Management Committee Meetings		Human Resources & Remuneration Committee Meetings		Works Committee Meetings	
	Attended	Held <sup>3</sup>	Attended	Held <sup>3</sup>	Attended	Held <sup>1</sup>
Ms M.S. Boydell	5	5	–	–	–	–
Mr C.W. Butler	4	5	–	–	–	–
Mr C. Cameron	–	–	6	6	–	–
Mr W. Dinte	–	–	6	6	4	4
Ms A. Hodge	4	5	–	–	–	–
Mr M. Leinster	–	–	–	–	3	4
Mr J.J. Mulheron	–	–	6	6	4	4

<sup>1</sup> Reflects the number of meetings held during the time the Director was a member of the relevant committee during the year.

## Meeting water needs

**GOAL: To understand, facilitate and satisfy the water requirements of current and future customers**

### Water planning

GAWB must be well positioned to provide commercial solutions to maintain supply for existing demand and meet additional demand as it emerges. More than 80% of the water supplied by GAWB is to a small number of large industrial customers who are reliant on an unrestricted water supply. The successful management of this demand is dependent on GAWB's sustainable management of its current water source and its capability to augment this supply when required. This capability is built on a continuous focus on planning to better understand future challenges and opportunities.

Integral to GAWB's planning function is the SWP. GAWB has actively pursued the objectives of the SWP released in November 2004 through the deployment of its CSS, ongoing program of works and a focus on the security and reliability of its water supply network – from source to customers.

GAWB reviewed its Strategic Water Plan in 2012/13 and, following customer and other stakeholder consultation, prepared a major update. GAWB expects to finalise this in the first half of 2013/14. While the previous SWP was focused upon ensuring the security of GAWB's water supply, the 2013 SWP also looks at how GAWB can best meet the needs of current and future customers and specifically addresses the important inter-related water service issues of demand, security, reliability and price. It articulates GAWB's approach to meeting these challenges into the future through:

- » utilisation of contemporary practice to understand the security characteristics of its water supply (both current and future water sources) and the capability that GAWB has developed to mitigate the inherent risks associated with a single water source
- » its infrastructure planning and development approach to ameliorate the water delivery risks inherent within its water supply system
- » improvements to pricing methodology to ensure alignment with "user pays" principles and
- » its future water supply planning to meet demand that incorporates assessments of water source augmentation options and associated price impacts.

In doing so, GAWB builds upon the framework established by past reviews to facilitate an informed allocation of risks and an equitable distribution of costs with customers. This ongoing alignment between the needs of its customers and the water service that it provides represents GAWB's overarching strategic objective to optimise the value it provides to all customers (present and future) and thereby the Gladstone region.

The CSS provides GAWB with the strategic mechanism to efficiently respond to either emerging demand (demand trigger) or supply shortages due to a prolonged period of low inflows into Lake Awoonga (drought trigger). The CSS provides GAWB with this capability through investigating alternative supply options and undertaking only work necessary to reach and maintain the desired state of preparedness. The CSS currently incorporates preparatory works for the GFP, preparatory works for the LFRIP and monitoring opportunities for technology solutions such as desalination.

The preparatory activities for the GFP and LFRIP will allow GAWB, through the *Central Queensland Regional Water Supply Strategy (CQRWSS)*, to access its reserved entitlement of up to 30,000ML p.a. of high reliability water from the lower Fitzroy River. This entitlement was formalised through the amendment of the *Fitzroy Basin Resource Operations Plan 2004* in July 2009.

The work program for the GFP preparatory works is reviewed and revised annually to ensure that only those tasks necessary to maintain the required state of preparedness and retain value in the work are undertaken. The work program for the LFRIP continued during 2012/13 with the preparation of the EIS and continued business case preparation.

GAWB also continued to build its internal knowledge of desalination processes and applied technology during 2012/13. Growth of capability will build competency within GAWB to assess the performance of applied and emerging technology solutions to desalination.

GAWB will continue to review the various work programs for the CSS to ensure the agreed state of preparedness is achieved while retaining value for the work undertaken to date.

# Review continued

## Water availability

The Water Resources (Boyne River Basin) Plan 2000 (WRP) sets out the strategies for the sustainable allocation and management of water through the implementation of the Boyne River ROP. Under the Boyne River ROP, GAWB was issued with a Resource Operations Licence, operating rules for Awoonga Dam, an allocation of 78,000ML p.a. and a water and aquatic ecosystem monitoring program.

While the WRP was due to expire on 1 September 2011, its term has been extended by regulation until a new WRP comes into force. Consultation Drafts of the proposed *Water Resource (Boyne River Basin) Plan 2013* and *Boyne River Basin Resource Operations Plan 2013* were released by the Minister for Natural Resources and Mines in June 2013. The changes proposed are not expected to impact significantly on GAWB's operations.

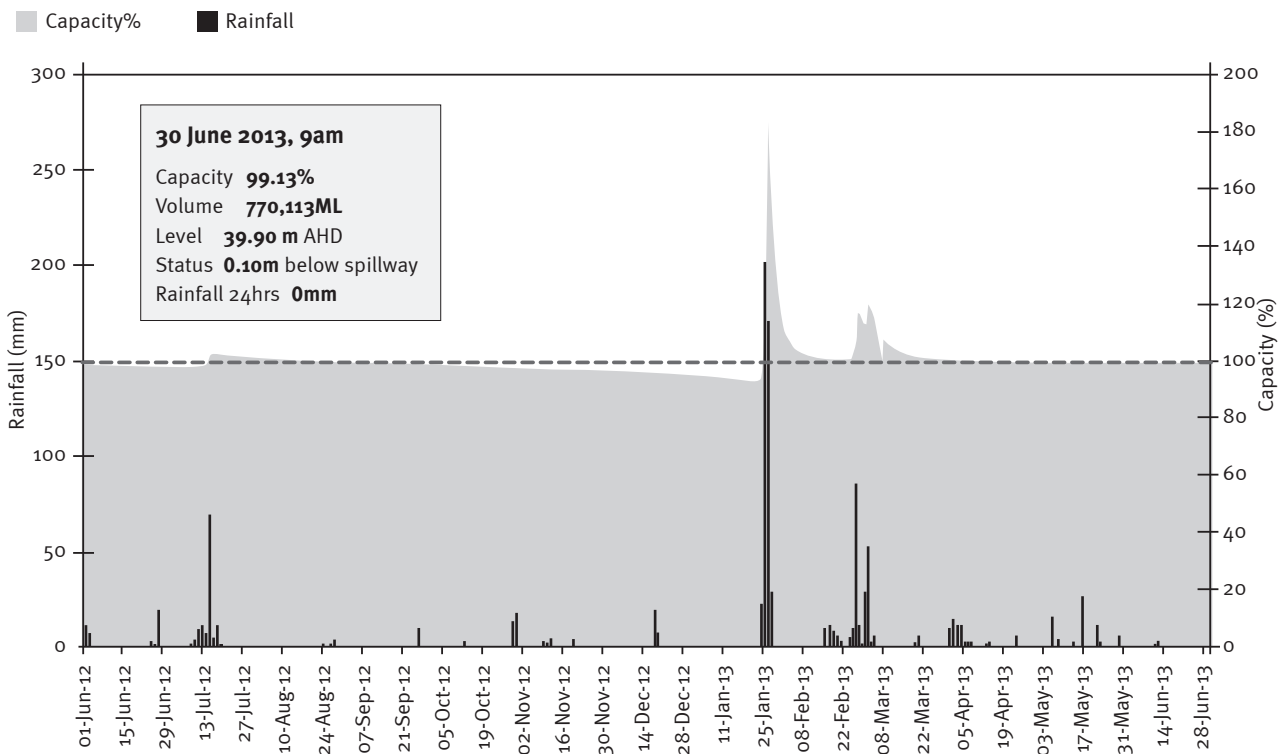
An average 1,634mm of rain was recorded at monitoring stations in the Boyne River catchment above Lake Awoonga over the 12 months to 30 June 2013 (2011/12: 1,117mm). This is almost twice the mean annual rainfall (approximately 850mm). More than 70% of this rain fell in the period from 24 January to 2 March 2013, including 834mm associated with ex-Tropical Cyclone Oswald in the four day period 24–27 January 2013. This rainfall event was substantially larger than any previously recorded at the catchment monitoring stations.

Inflows into Lake Awoonga for the period 1 July 2012 to 30 June 2013 were approximately 2.75 million ML (2011/12: 0.37 million ML), including approximately 2.3 million ML in the three months ended 31 March 2013.

Date of peak inflow	Estimated Daily Inflow (ML)	Peak level in dam (m AHD)
26 January 2013	613,000	48.30 on 27 January 2013

Awoonga Dam was at or near full capacity throughout the reporting year. The water level on 30 June 2013 was 39.90m. This corresponds to a storage volume of 770,113 ML or 99.13% of full supply level (40.0m) capacity. The lowest level during the reporting period was 39.24m (95.53% of capacity). As a result of these inflows, Lake Awoonga flowed over the spillway from late January 2013 to early May 2013 with a maximum height achieved of 48.30m on 27 January. This peak corresponds to a storage volume of 1,498,586 ML or 192.90% of full supply level capacity.

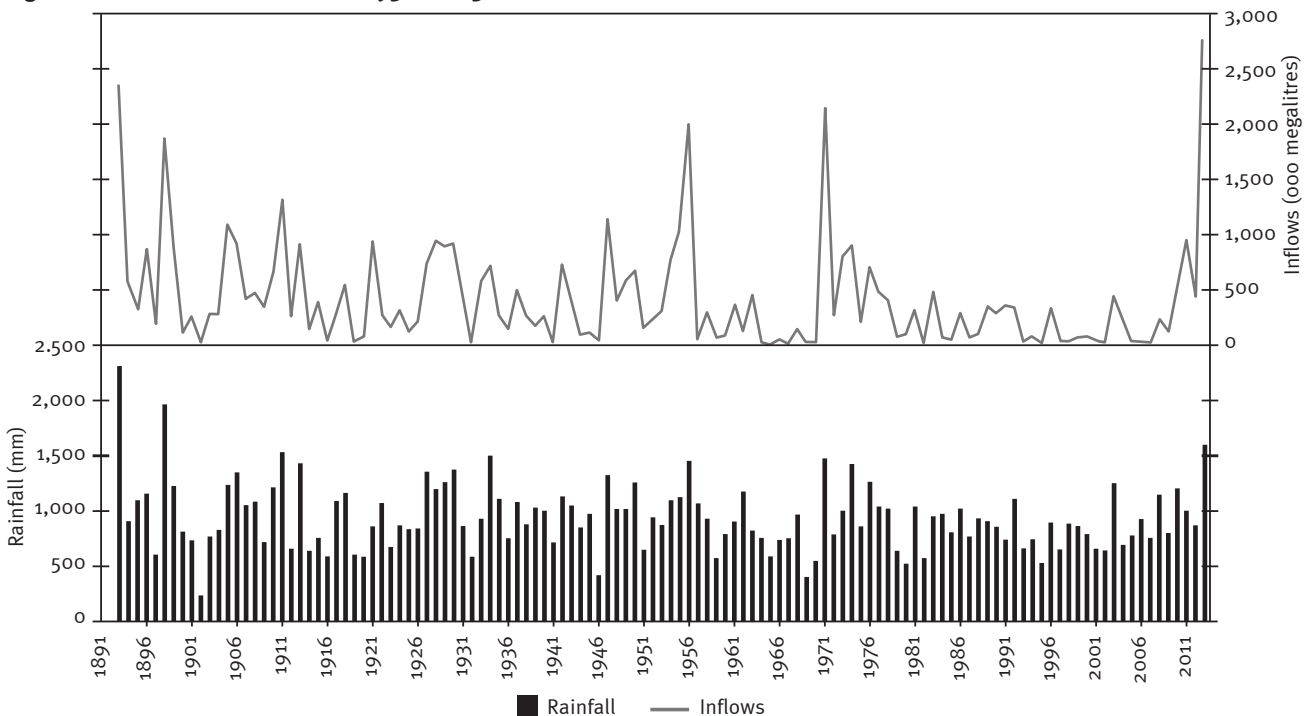
**Figure 1: Awoonga Dam Level and Rainfall Data – June 2012 to June 2013**



**Historical storage levels**

Storage Level	Date	Level (m AHD)	Volume (ML)	Capacity (%)	Surface Area (ha)
Storage as at	30 June 2013	39.90	770,113	99.13	6,740
Level one year ago	30 June 2012	39.84	766,069	98.61	6,716
Level two years ago	30 June 2011	40.03	778,900	100.26	6,791
Level three years ago	30 June 2010	38.84	700,870	90.22	6,325
Lowest level (before Cyclone Beni)	4 February 2003	20.84	57,803	7.44	1,298
Second lowest level	3 February 2008	29.11	253,372	32.62	3,204
Second highest level	28 December 2010	44.09	1,089,510	140.25	8,615
Highest level	27 January 2013	48.30	1,498,586	192.90	10,810

**Figure 2: Rainfall and Inflow Data 1893 to 2013**



The period for which the full Dam will be able to supply current and projected demands is dependent on future inflows and actual demand. However, using assumed future inflows consistent with the worst three years in recorded history (2004–2007) (as required by risk management under the Drought Management Plan), GAWB would not be required to impose restrictions on its supply of water from Lake Awoonga within at least the next three years.

**Water quality**

GAWB monitors water quality for a number of different purposes, including environmentally relevant activities (ERAs), its ROL and according to its DWQMP.

GAWB supplies potable water under an approved DWQMP. This plan is scheduled for review prior to 30 March 2014.

Through the development and implementation of its DWQMP, GAWB has driven continued performance improvements throughout the network, particularly in the reliability of online disinfection monitoring systems, the reaction time for operational responses and coordination of the multiple stakeholders involved in planning for and delivering safe, potable water.

GAWB has a comprehensive monitoring program for water quality in its source water, Lake Awoonga. Floods in January 2013 resulted in deterioration in raw water quality from Lake Awoonga which presented some challenges in maintaining potable water quality. The GWTP has processes and sufficient capacity to respond to higher turbidity. When the smaller YWTP experienced difficulty in dealing with the high turbidity, GAWB engaged with its customers for YWTP potable water and:

- » declared water treated at YWTP to be non-potable for a number of weeks until the plant’s processes were stabilised, tested and confirmed
- » continued to supply treated (but non-potable) water, with the customers’ agreement, for industrial use and
- » implemented alternative arrangements to maintain supply of potable water to non-industrial customers during this period.

## Review continued

### Operations and asset management

GAWB operates and maintains its bulk raw water and potable water supply networks predominately with its own internal resources.

GAWB completed the implementation of the Asset Management System (AMS) in June 2013. Focus will now turn to the inputs to the system with full analysis of its maintenance tactics, asset life cycle maintenance plans and cataloguing of inventory expected to be completed by December 2013.

Planned overhauls of the two main pumps at the Awoonga Dam Pump Station commenced with the completion of Pump 1 motor and pump assembly overhauls in May 2013. Pump 2 is scheduled to be overhauled in August 2013.

### Land management

#### Tenure management

GAWB owns and manages significant land holdings (about 30,000 hectares) in the Boyne Valley to support its water supply activities. GAWB is implementing a comprehensive land management approach which includes the disposal of excess land and moving toward a single freehold land parcel for the Lake Awoonga impoundment.

GAWB's ongoing approach to its land holdings in 2012/13 continued with the identification of:

- » land holdings owned or managed by GAWB, which can prudently be regarded as surplus under GAWB's Land Management Policy whilst fulfilling the requirements of section 580 of the Act and other undertakings to the Minister, for disposal
- » State land in the Boyne Valley upon which native title rights and interests exist – a process to address these native title implications prior to acquiring the lands was commenced during the year
- » land which may be required to support existing or additional water supply/delivery initiatives, and securing access or title and
- » progressing land tenure acquisition for GAWB's water infrastructure projects outside the Boyne Valley (offline storage reservoir, GFP and Curtis Island Pipeline projects).

GAWB is a provider of recreational facilities in the Boyne Valley which are well utilised by locals and visitors, and are provided free of charge. Additionally GAWB has two main recreational agreements in place – a caravan park lease and a licence for the operation of houseboats on Lake Awoonga. Licences are also provided for fishing charter operators and leases/licences are in place with four community groups. In line with GAWB's regulatory framework, regular monitoring is carried out to ensure that the level of expenditure associated with the provision of recreational facilities remains appropriate.

#### Land transactions

Acquisitions and disposals of land identified in the Lake Awoonga Land Rationalisation project as having strategic value to GAWB to fulfil its Land Management Policy and to comply with the *Land Act 1994* (Qld) are being progressed. GAWB is also moving to secure freehold estate or appropriate tenure for land supporting current and planned critical GAWB infrastructure (including land required for the GFP and Curtis Island Pipeline projects and for the development of an offline storage reservoir). This will also ensure that GAWB has satisfactory title or control over land required for infrastructure.

#### Vegetation regeneration project

GAWB continued with the Vegetation Regeneration Project which is an EIS requirement (from the 2002 Awoonga Dam raising) to regenerate and protect 300 hectares of land classified as supporting endangered ecosystems. Department of Agriculture, Fisheries and Forestry (DAFF) reports show the project has progressed well with excellent survival and growth rates being achieved. Flora and fauna surveys have confirmed the increasing diversity and habitat complexity of the sites over time. GAWB is mid-way through the final three year contract with DAFF by which time the project should have achieved the required goal of remnant status with significant habitat value.

#### Weed and pest animal management

GAWB has implemented a Weed and Pest Animal Management Plan for the land owned and managed in the Boyne Valley above Lake Awoonga. GAWB actively participates in the GRC co-ordinated neighbourhood 1080 baiting programs for the control of wild dogs and pigs, however GAWB's involvement with these programs will reduce as surplus GAWB estate is disposed of. GAWB has also achieved good outcomes with the engagement of a wild pig harvesting contractor. GAWB is an active member and executive committee member of the Capricorn Pest Management Group and the GRC Boyne Valley Working Group.

## Review continued

### Catchment management

The focus of GAWB's land estate management is to achieve an appropriate balance in commercial, water quality and environmental outcomes. The main risks for the raw water quality in Lake Awoonga are the land uses and environmental features of the upper Boyne River catchment over which GAWB has limited control. GAWB is an active member of the Fitzroy Basin Association's Boyne Calliope Catchment Management Group which promotes neighbouring landholder activities that maintain and improve water quality, riparian fencing and off-stream watering points for cattle.

### Fire management

GAWB has in place both a Bush Fire Management Plan and Wildfire Emergency Procedure which contribute to the proactive management and mitigation of the risk and impact of fires to the public, staff and GAWB's business operations, including the protection of water quality in the impoundment. Several GAWB officers are active fire fighters or support members of the Lake Awoonga Rural Fire Brigade and also hold Fire Warden positions. GAWB has a scheduled approach to fuel load reduction through a planned prescribed burning regime. Additionally, GAWB has the capacity to respond to wildfires on or threatening GAWB's estate in the Boyne Valley.

### Agistment management

GAWB continues to use best land management practice for grazing and works closely with neighbours and agistees. Inspections are regularly performed to ensure that adequate ground coverage is maintained.

### Fishery management

GAWB operates a fish hatchery in Gladstone City which produces barramundi, sea mullet and mangrove jack to support its extensive fish stocking program and, to help offset operating costs, for commercial sales. GAWB acknowledges the ongoing support from Gladstone Ports Corporation Limited which provides the facilities at Lord Street at no cost to GAWB.

During 2012/13, GAWB collected barramundi, sea mullet and mangrove jack broodstock to replace current stock, to ensure continuity of hatchery spawning activities whilst contributing to the genetic diversity of the Lake Awoonga population. This collection limits potential environmental effects in the event of fish exiting the lake during a spill event, when Lake Awoonga fish interact with wild spawning populations. During 2012/13, GAWB produced 363,086 fingerlings of which 142,586 were sold to restocking groups and aquaculture ventures in the region. In addition to the fingerling sales, GAWB sold 300,000 larvae as part of a research venture with James Cook University on genetic diversity.

During the year, 220,500 barramundi fingerlings ranging from 55mm to 100mm in length were released into Lake Awoonga, bringing the total stocking to date to 4.045 million. Additionally 61,000 mullet fingerlings ranging from 30mm to 65mm were released bringing the total stocking to date to 0.530 million. In total GAWB has released 4.765 million fish (barramundi, mullet, mangrove jack, bream and saratoga) into Lake Awoonga since the stocking program commenced in 1996.

Barramundi captures in the lake by local and visiting recreational fishermen have become more frequent, steadily re-establishing Lake Awoonga as a premier impoundment fishery.

GAWB regularly monitors the ongoing appropriateness of the levels of expenditure associated with the operation of the hatchery and has implemented its Fisheries Management Plan to assess how best to comply with its obligations to stock the lake.

GAWB has also undertaken a Turtle Triage project in conjunction with an LNG proponent. The facility has been funded under agreement by the LNG proponent with a total set up cost of \$45,000. Operational costs (including labour and staff training costs) are also part of the funding agreement. To date no turtles have been admitted to the triage for treatment.



## Review continued

### Commercial results

**GOAL: To ensure GAWB's profitability and build the value of the business**

#### Financial

GAWB earned a net profit after tax equivalents of \$8.345 million for the year ended 30 June 2013 (2011/12: \$12.064 million).

Full year water revenue totalled \$54.212 million (60,926ML reserved and supplied) (2011/12: \$50.946 million (58,446ML reserved and supplied)) compared to the target for the year of \$55.546 million (60,009ML reserved and supplied).

Net cash generated by operating activities totalled \$20.824 million, (2011/12: \$24.850 million). Overall, GAWB's cash position decreased by \$29.323 million to \$16.979 million at 30 June 2013.

Capital expenditure for the year totalled \$58.967 million (including Curtis Island Pipeline Project expenditure of \$50.180 million).

Total equity has increased to \$273.725 million at 30 June 2013 (\$262.193 million at 30 June 2012). Additional borrowings of \$11.700 million were drawn down during the year and repayments amounted to \$6.757 million. GAWB's debt/equity ratio was 43.6% at 30 June 2013.

#### Pricing and contractual framework

GAWB's actions and initiatives must achieve and support a viable balance between the needs and differing aspirations of GAWB's customers, efficient use of the water resources managed, community expectations and the commercial interests of GAWB. Each of GAWB's customers places a different value on the product. GAWB has developed its commercial framework to be mindful of these differing views.

GAWB's standard form water supply contract incorporates pricing practices that are consistent with the recommendations by the Queensland Competition Authority (QCA) (over the course of its various investigations) that have been accepted by the QCA Ministers.

## Review continued

### Corporate citizenship

**GOAL: To be regarded as a responsible corporate citizen**

#### Safety

GAWB recorded one LTI in 2012/13 relating to a back injury of a worker. GAWB is focussed on the continuous improvement of its safety and assurance systems and on achieving its goal of no LTIs by actively encouraging the reporting of all potential hazards and near misses through proactive safety interactions. Investigations are completed for all incidents and improvements recommended by investigations are implemented. As at 30 June 2013, GAWB had operated for 347 days without recording any further LTIs.

#### Environmental responsibility

GAWB has been compliant with environmental legislation and the monitoring, reporting and release requirements of the ROL, with no breach notices being received.

GAWB continued its sponsorship of the Port Curtis Integrated Monitoring Program (PCIMP) as coordinated by the Central Queensland University (CQU) Centre for Environmental Management, and has participated in relevant areas of interest in the Gladstone Healthy Harbour Partnership.

GAWB has maintained its membership of Gladstone Area Promotion and Development Limited, local pest management groups, rural fire brigade including management of the Lake Awoonga Rural Fire Brigade and representation on the Fitzroy Basin Association.

GAWB recycles paper via the Endeavour Foundation who provide confidential document destruction services to our Goondoon Street office and the GWTP. GAWB complies with legislative requirements on the movement of traceable wastes.

#### Community relations

During the year, GAWB received one community complaint in relation to GAWB's service/product. This complaint was investigated expeditiously with actions resulting in a satisfactory outcome for both GAWB and the community.

Expenditure on activities of a "good corporate citizen" nature during the 2012/13 financial year principally comprised the following sponsorships of community activities and publications in the Gladstone Region:

	\$
Public information notice relating to the January/February 2013 flood event, and the operation of Awoonga Dam and the auxiliary spillway at Saddle Dam 3	5,281
Monto Road/Boyne Valley community event sponsorship	1,000
Awoonga Dam Information Centre displays	620
Sponsored advertisements in community publications with a focus on water saving/safety	913
Total	\$7,814

GAWB also supports the Cluden Wildlife Management Unit with the provision of facilities on GAWB's estate in the Boyne Valley for the rehabilitation of sick, injured or orphaned native animals.

## Review continued

### Capability

**GOAL: To plan, develop and manage resources to support sustainable outcomes**

#### People and culture

Eighty-six percent of GAWB's permanent staff at 1 July 2012 remained in employment with GAWB at 30 June 2013. GAWB was able to engage replacement staff for the positions vacated during the year or reshaped existing roles to meet the requirements of the business.

GAWB completed an internal staff satisfaction survey during the year and the result showed a satisfaction rating of 5.1/7 compared to a target of 5.6/7 (2011/12: 5.3/7). The outcome is considered a good result having regard to the growth in employee numbers and additional activities now undertaken by GAWB employees, such as water treatment operations, maintenance and water quality testing.

#### Appropriate resourcing

GAWB is an equal opportunity employer and operates in accordance with a code of conduct and policies in relation to staff performance appraisals, equal employment opportunities, workplace health and safety, and staff remuneration. GAWB promotes the balancing of work and family responsibilities, including flexible work hours and the ability to work from home where appropriate.

GAWB is committed to ensuring that applicants for selection or promotion are not discriminated against on any of the grounds of discrimination contained in equal opportunity laws and consistent with the business' Equal Employment Opportunity and Anti-Discrimination Policy.

Recruitment and selection decisions are based on the principle of merit. This means that persons will be selected on the basis of whether they have the right skills, qualifications and other talents that are required to do the job. Appointment decisions are not based on irrelevant factors, such as a person's sex, race, disability, age etc, or personal biases or favouritism. GAWB has a comprehensive on-line process for training and re-training employees, depending upon the training topic.

During the year GAWB staff numbers increased from 79 (72 FTE) at 30 Jun 2012 to 82 (79 FTE) at 30 June 2013, an increase of 3 staff (7 FTE). This increase principally resulted from the recruitment of water treatment plant operators and other staff to fill vacant roles previously filled by outsourced resources.

#### Health and well-being

GAWB has implemented work-life balance initiatives to promote a healthy work environment, family and quality of life. These were the Employee Assistance Program (EAP) promoting emotional wellbeing and a Wellness Program promoting physical wellbeing. Activities have involved availability of annual flu injections, medical assessments and a modest subsidy for activities promoting physical fitness for both individuals and groups of GAWB staff.

#### Employing office

GAWB established an Employing Office on 6 November 2008 as required by amendments to section 625 of the Act. The Employing Office represents the State and it is intended to consist of an executive officer (expected to be the Chief Executive Officer (CEO) of GAWB) and staff (current GAWB employees). The establishment of the Employing Office permits the transfer of GAWB's existing staff to the new entity should staff be invited to do so and accept that invitation. There has been no transfer of staff to the Employing Office, nor is there any current intention to invite GAWB staff to transfer, and the established Employing Office is dormant.

## Review continued

### Systems and knowledge

GAWB has focused on the development of its internal systems and knowledge within the organisation in order to improve its capability to carry out its day to day functions. GAWB maintains accreditation of its Quality Management System (ISO 9001:2000).

To achieve further efficiencies, during 2012/13 GAWB focussed on the better integration of work processes and functions. The strategic importance of this focus is intended to align GAWB's operations with best practice in the industry as is appropriate for GAWB's regional circumstances.

### Information and communication technologies

Having achieved 100% virtualisation upon a single platform and a tested proven Disaster Recovery solution, GAWB's Information Communication and Technologies (ICT) team continued work upon a program of consolidation within current assets and software solutions, focussing upon achieving operational efficiency through better utilisation and refinement of business processes.

Investigations are ongoing with consultation from the business for implementation strategies such as cloud computing, mobility of workforce and flexibility in work platforms. These initiatives will seek to improve efficiencies through better use of technologies. Business analysis and subsequent technology adoption and/or refresh is targeted for 2015/16 and the business is well advanced within its internal focus of current and future activities to derive optimal investment for the future.

Throughout this program, the ICT team will adopt a position of both "business as usual" in conjunction with analysis and delivery of an invigorated platform delivering the GAWB vision of seamless technology interfaces providing employees with necessary information when and where required.

### Risk management

GAWB employs a risk management system that is based upon the International Standard for Risk Management (ISO 31000:2009). This is in accordance with the requirements of section 28 of the *Financial and Performance Management Standard 2009* (Qld). The risk management system facilitates the uniform assessment of risks across the different business activities undertaken by GAWB, assessed relative to the organisation's key goals. CURA risk management software is used to assist with the compliance for risk management reporting.

Senior management review GAWB's Risk Register and report to the Chief Executive Officer on a monthly basis regarding significant risks, GAWB's risk exposure and the mitigation of any risk that may/will arise.

### Directions, notices and other statutory requirements

During the year ended 30 June 2013, GAWB did not receive any directions or community service obligation notices.



# Goals for 2013/14

GAWB has identified four key interlinked business goals that will assist in achieving its vision: “To be an excellent water business”. As such, the goals and objectives of the business must be focused on achieving the best possible balance of outcomes against these four business goals, namely:

- |   |  |   |   |
|---|--|---|---|
| <p><b>Meeting water needs</b></p> <p>» <b>to understand, facilitate and satisfy the water requirements of current and future customers.</b></p> | <p><b>Commercial results</b></p> <p>» <b>to ensure GAWB’s profitability and build the value of the business.</b></p> | <p><b>Corporate responsibility</b></p> <p>» <b>to be regarded as a responsible corporate citizen.</b></p> | <p><b>Capability</b></p> <p>» <b>to plan, develop and manage resources to support sustainable outcomes.</b></p> |
|---|--|---|---|

Each of the four business goals is supported by a number of key performance measures, business improvement projects and initiatives that are set out in GAWB’s 2013/14 Performance Plan.

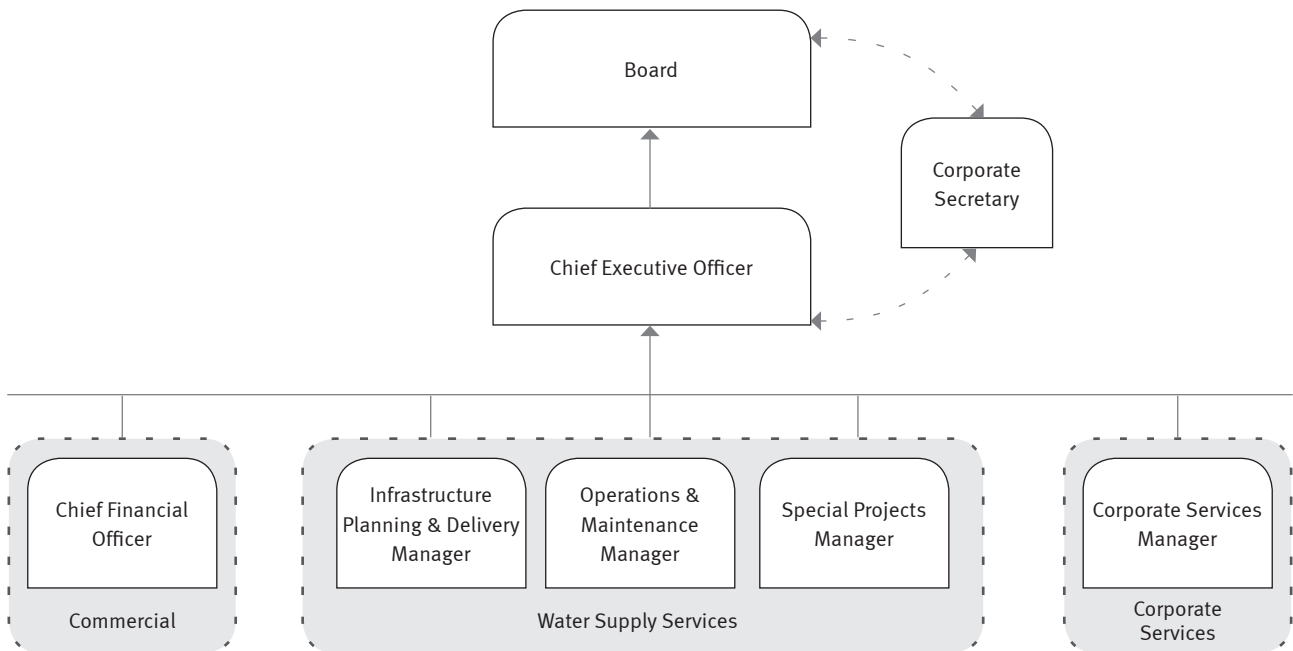
The table below identifies GAWB’s key business improvement processes and initiatives for 2013/14. Progress against each of these projects will be included in GAWB’s quarterly reports to the Minister and will reference milestones articulated in the respective project plans/business cases.

Project	Description
Water Resource Plan (WRP)	Finalisation of WRP review
Capital Expenditure Processes	Building on previous work to further refine and enhance end-to-end capital expenditure planning, delivery and accountability
In-system Storage	Finalise concept design
Dam Safety	Finalise detailed design to address dam safety licence requirements, business case for Ministerial approval and procurement process, and commence construction
Asset Management System (AMS)	Progress of the AMS project against identified milestones including the overhaul of protocols and process relating to asset creation and acceptance into operation
Operational Alignment	In conjunction with GRC, the progression of specified opportunities to align water services operations to achieve efficiencies and improve outcomes for GAWB, GRC and the region
2015 Price Review	GAWB will progress implementation of specified actions in readiness for the 2015 price review
Information System	GAWB will progress implementation of specified initiatives that will improve resiliency of the system and support improved knowledge management practices across the business
Accommodation	Progress GAWB’s preferred long term accommodation option



# Governance

## Organisational structure



## Executive management



**Jim Grayson LLB, LLM, ACIS, PGradDipComm**  
**Chief Executive Officer**

Mr Grayson joined GAWB in 2003 and has been its Chief Executive Officer since early 2006. Prior to joining GAWB, he worked as a Solicitor in private legal practice and with the Australian Securities and Investments Commission. Mr Grayson is a Fellow of the Financial Services Institute of Australia. He served on the Board of the Gladstone Economic Industry Development Board from 2006 to 2012 and as a member of the advisory Board of the University of Central Queensland – Centre for Environmental Management. He is presently a director of Water Services Association of Australia (which is the peak industry body for the Australian Urban Water Industry), is the Chair of the AWA Water Management Law and Policy Specialist Network committee and a member of the advisory panel for the Gas Industry Social and Environmental Alliance.



**Anthony Ottaway CA, BBus (Acct), GradCertForenSt (Acc)**  
**Chief Financial Officer**

Mr Ottaway joined GAWB in June 2008 and was appointed Chief Financial Officer in April 2011. He has spent a good portion of his working life providing business services advice to small and medium businesses through private sector accounting firms. Mr Ottaway entered the commercial sector in August 2006 and was the Finance Manager at Gladstone City Council prior to joining GAWB. Mr Ottaway's role encompasses management of strategic projects and all aspects of GAWB's economic regulation.

## Governance continued



### **Terry Ward BEng (Civil), GradDipMgt, MEng (Water & Environment), RPEQ, MIE Aust, CPEng Infrastructure Planning & Delivery Manager**

Mr Ward joined GAWB in March 2011 and was appointed Infrastructure Planning & Delivery Manager in April 2012. He has 15 years prior experience as a consulting engineer on planning and design of water-related and civil infrastructure projects for industry, mines, and local government throughout Central Queensland, and seven years experience on water resource management and irrigation projects for the Queensland Government.



### **John Tumbers GradDipMainMgt Operations and Maintenance Manager**

Mr Tumbers joined GAWB in February 2013 as the Operations & Maintenance Manager. He leads the Operations & Maintenance Team accountable for the operation of the bulk raw and potable water supply networks, and for GAWB-owned recreation facilities at Lake Awoonga. Mr Tumbers has a career background in maintenance in the power generation and resource sectors in NSW, SA, Qld and WA. Prior to joining GAWB, he was Maintenance Manager for the Port Hedland Port Authority, which operates a major bulk export port in Western Australia.



### **Richard West BEng (Civil), GradDipEngMaintMgt, RPEQ Special Projects Manager**

Mr West joined GAWB as an Engineering Specialist in March 2008 and retired in August 2012. He returned to GAWB during the 2012/13 financial year to finalise the Curtis Island Pipeline Project and ceased employment at the completion of the project on 28 June 2013. Mr West has over 25 years experience in the water industry which includes the design, construction, operation and maintenance of dams, weirs, major pipelines and pumping stations and allied water infrastructure. Prior to joining GAWB he worked with the Department of Natural Resources and Water, and with SunWater.



### **Gary Larsen JP (Qual) Corporate Services Manager**

Mr Larsen joined GAWB as Corporate Secretary in May 2006 and continued in this role until December 2011. In October 2010 he assumed the role of Corporate Services Manager, and during the 2012/13 financial year was responsible for the areas of legal, land, ICT, compliance, governance, risk, procurement, records management, disaster management and HR oversight.

Previously, he worked as a Salaried Partner in a Gladstone chartered accounting practice. Mr Larsen has been involved with local private accountancy firms since 1985 and has gained experience in compliance issues and business practices. His roles included management of staff matters, business growth/improvement and policy development.



### **Mark McKeon BSc (Hons), CA (Australia), ACA (England and Wales), FAICD Corporate Secretary**

Mr McKeon was reappointed to the position of Corporate Secretary in December 2011, having previously served as Corporate Secretary and Strategic Planning Manager in 2002–2004. In this role, he provides support to the Board of Directors while also providing leadership in the area of corporate governance across GAWB. He has held senior executive, governance, audit, accounting, finance and strategic planning positions in the private and public sectors in Australia and the United Kingdom, including more than 20 years experience as a company secretary, having previously served in this role with Queensland Motorways Limited and the listed QCT Resources Limited Group.



# Governance – Board and Committees

## Board of Directors and its Committees

The Board has ultimate responsibility for the good governance of GAWB and has adopted corporate governance practices in line with the Australian Stock Exchange (ASX) principles. The Board's principal responsibility is to oversee the performance and operation of GAWB, which includes:

- » setting and approving strategy
- » monitoring and reporting business and financial performance as required by the Act
- » reviewing performance and remuneration of executive Management and
- » reviewing the risk management and internal control framework.

The Chief Executive Officer is responsible for the day to day management of the organisation in accordance with the general policies and specific directions of the Board. To this end the Board has established an overall framework of internal control, business risk management processes, internal audit and other assurance programs and a code of conduct incorporating appropriate ethical standards.

To assist the Board in discharging its functions and allow a more detailed analysis of the specialised areas of finance, risk, audit, employment and remuneration, and capital works it has established three standing committees to provide oversight of these matters on its behalf. Each committee is governed by a charter and reports to the Board following committee meetings.

The Board and each individual Director, subject to informing the Chairperson, has the right to seek independent professional advice regarding board related matters at GAWB's expense.

## Composition of the Board

At the times GAWB's current Directors were last appointed, the Act provided that seven Directors be appointed for terms of up to four years by the Governor in Council, with four of these being nominated by the Gladstone Regional Council. The Chief Executive of the Department of Energy and Water Supply (DEWS) nominated the remaining three positions of which one must be the Board's Chairperson.

Section 605 of the Act outlines the term of office for directors of GAWB. Section 605(2A) states that a Director continues to hold office after the Director's term ends until a successor is appointed.

## Conflicts of interest

In accordance with section 610 of the Act, Directors must notify the Board, on an ongoing basis, of any interest that could potentially conflict with those of GAWB. The Board has an approved Probity Protocol and Board policy in relation to conflicts of interest and the declaration/disclosure of potential conflicts of interest. The policy provides guidance as to the action that should be taken in circumstances where a Director or Officer may have a possible, perceived or actual conflict of interest arising between his/her role as a Director or Officer of GAWB and any other financial or personal interest or office of responsibility with any other organisation.

## Board processes

The Board of Directors of GAWB meets on a monthly basis and more regularly as circumstances require. During 2012/13 the Board met on 19 occasions.

The Corporate Secretary is responsible for providing administrative and corporate governance support to the Board. Agenda setting is approved by the Chairperson in consultation with the CEO and Corporate Secretary. The Corporate Secretary ensures that the Board receives papers for Board and Committee meetings in advance of each meeting and attends at each meeting to record minutes.



## Governance – Board and Committees continued

### Audit & Risk Management (A&RM) Committee

The A&RM Committee operates pursuant to a formal Charter approved by the Board. This Charter is reviewed on an annual basis to ensure appropriateness and compliance with the Queensland Treasury's Audit Committee Guidelines. The Committee conducts a review of its processes and performance against its Charter to ensure that it has carried out its functions in an effective manner.

The objective of the A&RM Committee is to provide assurance and advice to the Board on GAWB's risk, control and compliance framework, and its financial statement responsibilities. The committee's responsibilities include oversight of GAWB's risk management framework and procedures, internal controls, financial statements, legislative compliance, internal audit processes, governance arrangements and performance reporting framework. It also acts as a conduit for communication between the Board, senior management and the external auditors.

During 2012/13, the A&RM Committee comprised Ms Boydell (Chairperson), Ms Hodge and Mr Butler. The Committee meets quarterly and otherwise as required and met on five occasions during the year. The CEO, other senior executives, external auditors and internal auditors are invited to attend A&RM Committee meetings at the discretion of the Committee.

### Internal Audit

Internal Audit's responsibilities are influenced by the governance arrangements established by GAWB and the existence of other separate functions with specific responsibility for some of these matters. The role of Internal Audit is to provide independent, objective assurance and advice designed to add value and assist GAWB in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the appropriateness and effectiveness of risk management and internal control. Internal audit is a fundamental part of corporate governance that ensures that the organisation operates effectively, efficiently and economically. The A&RM Committee acts as a forum to oversee the planning, performance and reporting of the Internal Auditor.

The A&RM Committee is responsible for the preparation of Terms of Reference for the engagement of an external/outsourced Internal Auditor, the evaluation of proposals, and recommendations for appointment of an Internal Auditor by the Board. The A&RM Committee oversees the preparation of the Internal Auditor's program and plan, its reporting procedures and budgets with a view to their recommendation to the Board for approval.

The A&RM Committee reviewed the findings of the Internal Auditor and actions proposed to be taken by management, including an assessment of the overall cost effectiveness of any action. The internal audit contractor (KPMG) met with the A&RM Committee on four occasions during the year.

### Works Committee

The Works Committee provides assurance and advice to the Board on technical issues and on matters relevant to GAWB's capital and other works programs. Its responsibilities include monitoring actions arising from external review and internal audit findings on processes related to operational and capital works and technical matters such as the Dam Safety Regulator condition audits, five year Dam Safety Review, major capital projects and other operational matters as they arise.

The Committee comprises Mr Mulheron (Chairperson), Mr Dinte and Mr Leinster. The Committee meets quarterly or as required and met on four occasions during the year.

### Human Resources & Remuneration (HR&R) Committee

The Board has approved a Charter for the HR&R Committee which details the responsibilities of the Committee in providing assurance and advice to the Board on matters relevant to the employment and remuneration of GAWB staff, including:

- » the employment of the CEO and other senior managers
- » the remuneration of senior managers
- » GAWB's remuneration policies and practices, and
- » other associated matters.

The HR&R Committee comprised Mr Cameron (Chairperson), Mr Dinte and Mr Mulheron during 2012/13. The Committee meets quarterly or as required and met on six occasions during the year.



# Governance – Human resources

## Remuneration

The GAWB Remuneration Policy has the following aims:

- » to attract suitably experienced and qualified staff to deliver quality services
- » to retain staff over the longer term
- » to contribute to the motivation of staff and to high levels of performance, and
- » to encourage staff to improve their skills and capabilities so as to improve job performance.

As a strategy to lead and reinforce corporate objectives, GAWB assesses the work value of each position in accordance with an established job evaluation methodology, and has adopted a classification structure comprising 10 grades. All new positions, re-graded positions and staff re-evaluations are independently reviewed by an external specialist.

Benchmarking employment cost rates is both necessary and appropriate for employment positions. GAWB's remuneration position is aligned with the median market rates and in accordance with advice from employment consultants. This positioning is within the parameters of government policy and is considered appropriate for the business requirements.

In setting pay levels, GAWB has adopted total employment cost (TEC) as the prime comparator for internal communication and external market comparison. GAWB recognises the importance of clear articulation of the pay position in terms of the relevant job reference markets it wishes to compare (and be compared to), in order to ensure that remuneration levels are (and continue to be) set at levels appropriate to GAWB's goals and circumstances and, for clarity, not in excess of general market median levels in accordance with government directives.

A performance management system is in place that clearly details the link between performance and remuneration. The performance management system is applied for progressing individuals through each grade in the classification structure. Managers are required to effectively manage performance and are provided with appropriate training to enable them to do so.

The Board, on the recommendation of the CEO and the HR&R Committee, endorses the initial appointment and remuneration of direct reports to the CEO and the remuneration of such employees annually and oversees the process for the annual review of grade remuneration ranges.

GAWB's Senior Management Team participates in a Senior Executive Performance Payment Plan (SEPPP). In the first quarter of each financial year, performance payments applicable for the previous financial year are proposed by the CEO and recommended to the Board by the HR&R Committee. Such performance payments are made subsequent to Board approval.

GAWB's capability framework and plan (which identifies core and key competencies necessary for the delivery of its objectives) was refined during the year. This capability framework will be completed in 2013/14 to assist in managing professional and operational training/development programs to ensure staff have, or can obtain, the core/key or enabling competencies considered necessary to achieve the goals and objectives identified in the 2013/14 Performance Plan and beyond.

Details of key Management personnel compensation and senior executives' remuneration are disclosed at note 28 to the Financial Statements.

## Early retirement, redundancy and retrenchment

During 2012/13 there were no voluntary separation or early retirement packages offered to GAWB's employees and there were no retrenchments or redundancies offered during the year.



# Governance – Reporting

The Board of Directors aims to ensure that the Minister for Energy and Water Supply is informed of all major developments affecting GAWB's state of affairs. Information is communicated to the Minister as follows:

- » A Corporate Plan, covering the next five financial years, is provided to the Minister at least two months prior to the end of each financial year. Each Corporate Plan includes the information required by the Act.
- » A more detailed Performance Plan, covering the next financial year, is also provided to the Minister at least two months prior to the end of each financial year. Each Performance Plan includes targets for a number of KPMs relevant to GAWB's forecast operations for the next financial year and other information required by the Act.
- » Quarterly Reports to GAWB's Minister are provided within one month from the end of each quarter. A copy of each Quarterly Report is also provided to the Treasurer for information. Each Quarterly Report includes relevant information about GAWB's operations during the quarter, changes in GAWB's state of affairs, comparisons with targets for KPMs set out in the Performance Plan and details of future developments.
- » The Annual Report is provided to GAWB's Minister within 75 days of the end of the financial year, and is then tabled in Parliament by the Minister. The Annual Report includes relevant information about GAWB's operations during the year, changes in GAWB's state of affairs, comparisons with forecasts set out in the Performance Plan and details of future developments, in addition to the other disclosures required by the *Water Act 2000*, *Financial Accountability Act 2009* and *Financial and Performance Management Standard 2009*.



# Governance – Other significant issues

## Consultancies

There were no consultancies during the 2012/13 reporting year.

## Overseas travel

There was no overseas travel undertaken during the 2012/13 reporting year.

## Corporate hospitality and entertainment

The staff annual Christmas function and the Management/Directors annual function occurred in December 2012. These functions were appropriately managed to ensure adherence with the corporate hospitality and entertainment guidelines and thresholds. Items of hospitality requiring disclosure are reported to the Minister in GAWB's Quarterly Reports. There were no items requiring disclosure during the 2012/13 year.

## Recordkeeping

GAWB has an electronic document management record system that meets its business needs, accountability requirements and stakeholder expectations.

## Public Sector Ethics Act 1994

The GAWB Code of Conduct gives a shared vision of the general business ethics and acceptable standards of professional behaviour that is expected of officers and employees. The Code of Conduct is based on five ethical principles and covers general behaviour expectations, fraud and corruption responsibilities, including ethics and conflict of interest. Application of these ethical principles assists to further improve GAWB's business and to project a positive image of professionalism and integrity to the wider community. The Code applies to all GAWB Board members and employees.

## Right to information and information privacy

GAWB reports on its Right to Information (RTI) and Information Privacy (IP) activities during the period in a separate annual RTI/IP report provided under the requirements of section 185 of the *Right to Information Act 2009* (Qld) and section 194 of the *Information Privacy Act 2009* (Qld).

## Carers (Recognition) Act 2008

GAWB outlines its support for the objectives detailed in the *Carers (Recognition) Act 2008* through various policies including its Leave Policy and Flexibility Policy.

## Carbon emissions

GAWB is committed to reducing pollutants, protecting the natural environment and reducing its carbon footprint. This includes using E10 fuel in the vehicle fleet, reducing run-off by fencing the riparian area where possible, reforestation in the catchment, investigating the inclusion of the assessment of all aspects of energy consumption associated with projected new water sources and proactive pest management and fire strategies. GAWB continues to monitor its thresholds for the purpose of reporting under various regulations and guidelines such as National Greenhouse & Energy Reporting (NGER) and the Smart Energy Savings Program (SESP), and is currently below the limits required.

GAWB ceased involvement in voluntary offset programs on the introduction of the Carbon Tax.



# Five year summary

	2009	2010	2011	2012	2013
<i>(megalitres)</i>					
Water sales (volumetric):					
Raw water	35,872	36,954	31,861	30,994	36,245
Potable water	9,995	10,324	9,217	11,150	11,440
Total	45,867	47,188	41,078	42,144	47,685
<i>(thousands of dollars)</i>					
Water sales revenue <sup>1</sup>	28,719	28,151	42,465	50,946	54,212
Total revenue	29,157	28,635	47,078	58,968	57,756
Depreciation and amortisation	(6,720)	(6,744)	(7,291)	(10,565)	(13,623)
Earnings before interest and tax	5,789	(1,856)	19,015	27,270	23,280
Profit/(loss) before tax	(1,884)	(10,293)	8,767	17,235	12,003
Income tax (expense)/benefit	557	3,237	(2,908)	(5,171)	(3,658)
Profit/(loss) after tax	(1,327)	(7,056)	5,859	12,064	8,345
Total equity	192,433	232,823	248,154	262,193	273,725
Total assets	361,248	421,257	455,063	534,442	555,835
Borrowings	134,970	139,659	146,170	206,830	211,773
Cash from operations before tax	6,639	3,200	13,256	27,636	28,828
Income tax (paid)/refunded	(3,013)	241	–	(2,786)	(8,004)
Cash from operations after tax	3,626	3,441	13,256	24,850	20,824
Cash flow capital expenditure	20,468 <sup>2</sup>	10,320 <sup>2</sup>	11,417 <sup>2</sup>	51,113 <sup>3</sup>	55,477 <sup>3</sup>
<i>(percent)</i>					
Return on assets	1.59	(0.47)	4.34	5.51	4.27
Return on equity	(0.69)	(3.32)	2.43	4.73	3.11
Debt/equity ratio	41	37	37	44	44
<i>(times)</i>					
Cash flow interest cover ratio	1.29	1.37	2.16	3.29	3.33

<sup>1</sup> Including connection charges.

<sup>2</sup> Capital expenditure is net of capital subsidies received and includes gross expenditure incurred on CSS (capitalised as an intangible asset – refer Note 3(e) to the Financial Statements).

<sup>3</sup> Includes expenditure on intangible assets and excludes capitalised interest.



# Financial statements

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# Statement of profit or loss and other comprehensive income

for the year ended 30 June 2013

	Notes	2013 \$000	2012 \$000
Water supply		54,212	50,946
Grants and other contributions		1,632	1,130
Curtis Island Project recoveries		355	858
Curtis Island infrastructure and operating charges		1,029	2,336
Fishermans Landing infrastructure charges		-	3,083
Other income	5	528	615
<b>Total revenue</b>		<b>57,756</b>	<b>58,968</b>
Chemicals		(747)	(640)
Consultants		-	(29)
Contracted, professional, technical and other services		(2,635)	(2,235)
Curtis Island Project outlays		(356)	(858)
Electricity		(1,940)	(1,671)
Insurance		(818)	(701)
Labour and on costs		(8,641)	(7,501)
Loss on sale of asset		(193)	(1,248)
Maintenance		(1,616)	(2,435)
Minor asset purchases		(335)	(515)
Motor vehicle expenses		(749)	(591)
Rates		(240)	(239)
Special projects expenditure		(17)	(233)
Depreciation	6	(10,085)	(7,928)
Amortisation	7	(3,538)	(2,637)
Other expenses		(2,566)	(2,237)
<b>Total expenditure</b>		<b>(34,476)</b>	<b>(31,698)</b>
<b>Results from operating activities</b>		<b>23,280</b>	<b>27,270</b>
Finance income	9	1,079	1,663
Finance costs	9	(12,356)	(11,698)
<b>Net finance costs</b>		<b>(11,277)</b>	<b>(10,035)</b>
Profit/(loss) before income tax equivalents		12,003	17,235
Income tax equivalents (expense)/benefit	10	(3,658)	(5,171)
<b>Profit/(loss) for the year</b>		<b>8,345</b>	<b>12,064</b>
<b>Other comprehensive income</b>			
Increase in asset revaluation surplus	11	8,000	4,866
Deferred tax on revaluations	11	(2,400)	(1,483)
<b>Total other comprehensive income</b>		<b>5,600</b>	<b>3,383</b>
<b>Total profit/(loss) and comprehensive income</b>		<b>13,945</b>	<b>15,447</b>
Items that may be reclassified to profit or loss		-	-
<b>Total items that may be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>13,945</b>	<b>15,447</b>

The notes on pages 32 to 60 are an integral part of these financial statements.

# Statement of changes in equity

## for the year ended 30 June 2013

	Notes	Contributed equity	Asset revaluation surplus	Retained earnings	Total equity
		\$000	\$000	\$000	\$000
<b>Balance at 1 July 2011</b>	<b>11</b>	<b>63,711</b>	<b>172,872</b>	<b>11,571</b>	<b>248,154</b>
<b>Total comprehensive income for the period</b>					
Profit or loss		–	–	12,064	12,064
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus	11	–	4,943	–	4,943
Reversal of asset revaluation increments on leasehold land		–	(77)	–	(77)
Deferred tax on revaluations	11	–	(1,483)	–	(1,483)
Transfer of increments on disposal of assets	11	–	(2,144)	2,144	–
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>1,239</b>	<b>14,208</b>	<b>15,447</b>
<b>Transactions recorded directly in equity</b>					
Equity contributions	11	936	–	–	936
Dividends paid		–	–	(2,344)	(2,344)
<b>Total transactions with owners</b>		<b>936</b>	<b>–</b>	<b>(2,344)</b>	<b>(1,408)</b>
<b>Balance at 30 June 2012</b>		<b>64,647</b>	<b>174,111</b>	<b>23,435</b>	<b>262,193</b>
<b>Balance at 1 July 2012</b>	<b>11</b>	<b>64,647</b>	<b>174,111</b>	<b>23,435</b>	<b>262,193</b>
<b>Total comprehensive income for the period</b>					
Profit or loss		–	–	8,345	8,345
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus	11	–	8,000	–	8,000
Reversal of asset revaluation increments on leasehold land		–	–	–	–
Deferred tax on revaluations	11	–	(2,400)	–	(2,400)
Transfer of increments on disposal of assets	11	–	(295)	295	–
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>5,305</b>	<b>8,640</b>	<b>13,945</b>
<b>Transactions recorded directly in equity</b>					
Equity contributions	11	–	–	–	–
Dividends paid		–	–	(2,413)	(2,413)
<b>Total transactions with owners</b>		<b>–</b>	<b>–</b>	<b>(2,413)</b>	<b>(2,413)</b>
<b>Balance at 30 June 2013</b>		<b>64,647</b>	<b>179,416</b>	<b>29,662</b>	<b>273,725</b>

The amounts recognised directly in equity are disclosed net of tax equivalents.

The notes on pages 32 to 60 are an integral part of these financial statements.

# Statement of financial position

## as at 30 June 2013

	Notes	2013 \$000	2012 \$000
<b>Current assets</b>			
Cash and cash equivalents	12(a)	16,979	46,302
Trade and other receivables	13	11,999	15,194
Inventory	14	567	228
Assets held for sale	15	1,625	1,625
<b>Total current assets</b>		<b>31,170</b>	<b>63,349</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	497,577	441,751
Intangible assets	7	20,019	22,861
Deferred tax assets	23	7,052	6,462
Biological assets	16	17	19
<b>Total non-current assets</b>		<b>524,665</b>	<b>471,093</b>
<b>Total assets</b>		<b>555,835</b>	<b>534,442</b>
<b>Current liabilities</b>			
Trade and other payables	17	15,752	8,450
Loans and borrowings	18	6,192	6,698
Employee benefits	19	1,021	813
Provisions	20	128	128
Deferred income	21	1,632	1,720
Current tax liabilities	22	522	4,793
<b>Total current liabilities</b>		<b>25,247</b>	<b>22,602</b>
<b>Non-current liabilities</b>			
Loans and borrowings	18	205,581	200,132
Employee benefits	19	321	298
Deferred income	21	7,458	9,002
Deferred tax liabilities	23	42,528	39,612
Provisions	20	965	593
Other non-current liabilities	17	10	10
<b>Total non-current liabilities</b>		<b>256,863</b>	<b>249,647</b>
<b>Total liabilities</b>		<b>282,110</b>	<b>272,249</b>
<b>Net assets</b>		<b>273,725</b>	<b>262,193</b>
<b>Equity</b>			
Issued capital	11	64,647	64,647
Asset revaluation surplus	11	179,416	174,111
Retained earnings	11	29,662	23,435
<b>Total equity</b>		<b>273,725</b>	<b>262,193</b>

The notes on pages 32 to 60 are an integral part of these financial statements.



# Statement of cash flows

## for the year ended 30 June 2013

	Notes	2013 \$000	2012 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		60,261	55,887
Interest received		1,079	1,663
Payments to employees		(9,254)	(8,302)
Payments to suppliers and services		(11,746)	(10,128)
Borrowing costs paid		(11,778)	(11,395)
Operating subsidies received		–	120
		28,562	27,845
GST paid to suppliers		(11,242)	(9,858)
GST input tax credits from ATO		12,258	8,775
GST collected from customers		6,270	3,991
GST remitted to ATO		(7,020)	(3,117)
Total GST		266	(209)
Income taxes (paid)/refunded		(8,004)	(2,786)
<b>Net cash from operating activities</b>	12(b)	<b>20,824</b>	<b>24,850</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant & equipment		(54,795)	(50,522)
Interest paid on construction of property, plant & equipment		(2,740)	(1,202)
Acquisition of intangible assets		(682)	(591)
Proceeds from sale of property, plant & equipment		62	21
Costs on disposal of property, plant & equipment		(695)	(252)
Security deposits received		51	3,166
Security deposits paid/applied		(280)	(2,160)
Curtis Island advances on account		6,402	(3,848)
<b>Net cash used in investing activities</b>		<b>(52,677)</b>	<b>(55,388)</b>
<b>Cash flows from financing activities</b>			
Proceeds from equity contributions		–	936
Dividends paid		(2,413)	(2,344)
Proceeds from borrowings		11,700	65,700
Repayment of borrowings		(6,757)	(5,040)
<b>Net cash from financing activities</b>		<b>2,530</b>	<b>59,252</b>
<b>Net increase in cash and cash equivalents</b>		<b>(29,323)</b>	<b>28,714</b>
Cash and cash equivalents at 1 July		46,302	17,588
<b>Cash and cash equivalents at 30 June</b>	12(a)	<b>16,979</b>	<b>46,302</b>

The notes on pages 32 to 60 are an integral part of these financial statements.

# Notes to the financial statements

## for the year ended 30 June 2013

### 1. Reporting entity

Gladstone Area Water Board ('GAWB') is a statutory body constituted under the *Water Act 2000* (Qld) and is a Category 1 Water Authority as well as a registered water service provider under the *Water Supply (Safety & Reliability) Act 2008* (Qld). GAWB is domiciled in Australia. The address of GAWB's principal place of business is 147 Goondoon Street, Gladstone, Queensland. GAWB is a for-profit entity and is primarily involved in the supply of bulk water.

### 2. Basis of preparation

#### (a) Statement of compliance

The financial statements are general purpose financial statements, which have been prepared in accordance with the *Financial Accountability Act 2009* and the disclosure requirements of the *Financial and Performance Management Standard 2009*.

The financial statements have been prepared on an accrual basis in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB). By virtue of being prepared in accordance with Australian Accounting Standards, the financial statements comply with International Financial Reporting Standards.

The financial statements were approved for issue by the directors on 29 August 2013.

#### (b) Basis of measurement

##### *Historical cost convention*

The financial statements have been prepared on the historical cost basis, except for the following:

- biological assets are measured at fair value less point-of-sale costs.
- certain property, plant and equipment, which are measured at fair value.

The methods used to measure fair value are discussed further in Notes 3, 4 and 6.

#### (c) Functional and presentation currency and rounding

The financial statements are presented in Australian dollars which is GAWB's functional currency.

Amounts of less than \$500 included in the financial statements are rounded to zero. Other amounts included in the financial statements are rounded to the nearest thousand unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of financial statements 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 estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3(d) – Property, Plant and Equipment (useful lives and revaluation)
- Note 3(e) – Intangible Assets (useful lives)
- Note 3(h) – Impairment (of financial and non-financial assets)
- Note 3(i) – Employee Benefits
- Note 3(j) – Provisions
- Note 4 – Significant accounting judgements, estimates and assumptions.

# Notes to the financial statements

## for the year ended 30 June 2013

### 3. Significant accounting policies

#### (a) Financial instruments

##### *Non-derivative financial instruments*

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings.

##### *Recognition*

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if GAWB becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if GAWB's contractual rights to the cash flows from the financial assets expire or if GAWB transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that GAWB commits itself to purchase or sell the asset. Financial liabilities are derecognised if GAWB's obligations specified in the contract expire or are discharged or cancelled.

##### *Classification*

Financial Instruments are classified and measured as follows:

##### *Investments at fair value through profit or loss*

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if GAWB manages such investments and makes purchase and sale decisions based on their fair value in accordance with GAWB's documented risk management or investment strategy. For financial instruments at fair value through profit or loss, any changes in fair value are recognised in profit or loss.

Cash and cash equivalents are held at fair value through profit and loss.

Cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

##### *Investments at amortised cost*

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

- Trade and other receivables are held at amortised cost
- Trade and other payables are held at amortised cost
- Loans and borrowings are held at amortised cost.

Accounting for finance income and costs is discussed in Note 3(l).

#### (b) Inventories

Inventories include materials kept on hand to repair or replace components of the water supply network. All inventories are measured at the lower of cost and net realisable value.

#### (c) Assets held for sale

Some of GAWB's land assets were re-categorised from non-current property, plant and equipment assets to assets held for sale in the 30 June 2010 and 30 June 2012 financial years as their carrying amount will be recovered principally through a sale transaction instead of use. These assets are initially measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held for sale, property, plant and equipment are no longer depreciated or amortised. Any asset write-downs are recognised as an impairment loss, with any subsequent gains recognised against the accumulated impairment losses only.

# Notes to the financial statements

## for the year ended 30 June 2013

### 3. Significant accounting policies continued

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

All assets acquired, including property, plant and equipment, are initially measured at their cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition, including costs incurred in getting the assets ready for use. The cost of assets constructed by GAWB includes the cost of investigation and design, all materials used in construction, capitalised borrowing costs and direct labour. Assets under construction are measured at cost and are not depreciable until they are commissioned. The asset recognition thresholds are as follows:

- Land \$1
- Plant and equipment \$5,000
- Buildings \$10,000
- Infrastructure \$10,000

In accordance with the requirements of Section 23 of the *Financial and Performance Management Standard 2009*, land, buildings and improvements and infrastructure assets are measured at fair value. Minor plant and equipment and motor vehicles are measured at cost.

##### (ii) Revaluations

Classes of assets measured at fair value are re-valued with sufficient regularity to ensure that the carrying value of each asset in the class does not differ materially from fair value at reporting date. The fair value of property, plant and equipment is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction. GAWB has adopted an income based approach, where the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, to determine fair value. An allowance against the cost is made for the exhaustion of service potential for the existing item. A comprehensive valuation is conducted at least every five years. In the intervening years where an income based valuation is not determined, directors assess whether the carrying value differs materially from the fair value by using an indexed approach where the carrying value of the asset is indexed by reference to the annual CPI for the year ending 31 March. Revaluations are brought to account where the existing carrying value differs materially to the current fair value using this income approach.

In 2010, a comprehensive revaluation was undertaken in conjunction with the 2010 QCA pricing review on the basis outlined in Note 4((b)).

For the 2011, 2012 and 2013 years, GAWB has determined valuations using the indexed approach. Where adjustments are required, revaluation increments and decrements are accounted for by asset in the following manner:

- A revaluation increment is credited directly to the asset revaluation surplus except that, to the extent that the increment reverses a revaluation decrement previously recognised as an expense in respect of the asset, the increment is recognised as revenue in the statement of comprehensive income.
- A revaluation decrement is recognised as an expense in the statement of comprehensive income except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the relevant asset, the revaluation decrement is debited directly to the asset revaluation surplus.
- Where a revalued asset is subsequently sold or disposed, the associated revaluation increment recognised in the asset revaluation surplus is transferred to retained earnings.

##### (iii) Subsequent costs

Subsequent expenditure on an item of property, plant and equipment includes major replacements, overhauls, refurbishment or major inspections and is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to GAWB and its cost can be measured reliably. Any remaining carrying value of parts replaced or previous inspections is derecognised on recognition of the subsequent expenditure. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

# Notes to the financial statements

## for the year ended 30 June 2013

### 3. Significant accounting policies continued

#### (d) Property, plant and equipment (continued)

##### (iv) Depreciation and impairment

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	2013	2012
Buildings & improvements	8–60 years	8–60 years
Infrastructure assets:		
Dam structure	40–150 years	40–150 years
Pump stations, reservoirs, pipelines and related plant	10–50 years	10–50 years
Minor plant & equipment	3–20 years	3–20 years
Motor vehicles	4 years	4 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Property, plant and equipment are also assessed for any indicators of impairment each year. Further details on impairment calculations are provided in Note 3(h) and Note 4(c).

##### (v) Derecognition

Items of property, plant and equipment are derecognised upon disposal or when no further future economic benefits are expected from their use or disposal.

#### (e) Intangible assets

##### (i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and GAWB intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalised includes the cost of professional services, materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. Other development expenditure is recognised in profit or loss as incurred.

The intangible assets include costs associated with the development of GAWB's Contingent Supply Strategy (CSS) incorporating the Gladstone to Fitzroy Pipeline Project and participation in the Lower Fitzroy River Infrastructure Project. The objective of the strategy is to develop and retain the capability to quickly and efficiently respond to reasonably foreseeable risks to the adequacy of current water supplies, either through drought or demand. GAWB considers the development costs of the CSS meet the definition as well as the criteria for recognition as an intangible asset as the costs are identifiable, are able to be measured reliably, the resources are controlled by GAWB and it is probable that the future economic benefits will flow to GAWB.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

# Notes to the financial statements

## for the year ended 30 June 2013

### 3. Significant accounting policies continued

#### (e) Intangible assets (continued)

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

##### (iii) Amortisation and impairment

Capitalised development expenditure has currently been determined to have remaining expected useful lives of 1 to 7 years. The intangible asset is amortised once it is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

On 4 November 2011, GAWB received the final environmental approval from the Department of Sustainability, Environment, Water, Population and Communities for the Gladstone-Fitzroy Pipeline. On this basis, GAWB commenced recognising amortisation of this intangible asset as the asset is capable of operating in the manner intended by management. At 30 June 2013, the Lower Fitzroy Weirs project has not yet received environmental approvals with the terms of reference for the Environmental Impact Statement being issued by the Queensland Government. On this basis, this intangible asset is considered not yet capable of operating in the manner intended by management and therefore continues to not be amortised.

Intangible assets are also assessed for any indicators of impairment each year. Further details on impairment calculations are provided in Note 3(h) and Note 4(c).

#### (f) Biological assets

Biological assets are measured at fair value less point-of-sale costs, with any change therein recognised in the profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

#### (g) Leased assets

Leased assets in terms of which GAWB as lessee assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases where GAWB, as lessee, does not assume substantially all the risks and rewards of ownership are considered operating leases and not recognised on GAWB's balance sheet. Payments made under operating lease are recognised in profit or loss on a straight-line basis over the term of the lease. Any lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

# Notes to the financial statements

## for the year ended 30 June 2013

### 3. Significant accounting policies continued

#### (h) Impairment

##### (i) Financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined by publicly available information such as quoted market prices or by calculating the net present value of future anticipated cash flows. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral.

In addition to an allowance account for specific provisions against individually significant financial assets GAWB also makes a collective allowance on portfolios of similar assets that are individually insignificant, for impairment losses that have been incurred but not yet identified. On confirmation that the financial asset will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms and the collective impairment provision is estimated for any such group where credit risk characteristics of the group of financial assets has deteriorated. Factors such as any deterioration in industry performance, technological obsolescence as well as identified structural weaknesses or deterioration in cash flows are taken into consideration and the amount of the provision is based on the historical loss pattern within each group, adjusted to reflect current economic change.

Impairment losses on assets measured at amortised cost using the effective interest rate method are calculated by comparing the carrying value of the asset with the present value of estimated future cash flows at the original effective interest rate.

The repayment terms for impaired loans can be renegotiated, subject to the discretion of GAWB. Where loans have been renegotiated, these are treated as new loans and are not disclosed as past due unless there are defaults on the revised repayment terms.

##### (ii) Non-financial assets

The carrying amounts of GAWB's non-financial assets, other than biological assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the relevant asset, the impairment loss is debited directly to the asset revaluation surplus. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a *pro rata* basis.

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 that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# Notes to the financial statements

## for the year ended 30 June 2013

### 3. Significant accounting policies continued

#### (i) Employee benefits

##### (i) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that GAWB expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to GAWB as the benefits are taken by the employees.

##### (ii) Other long-term employee benefits

GAWB's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximately equivalent to the terms of GAWB's obligations.

##### (iii) Superannuation contributions

Liabilities in relation to contributions to superannuation funds (including defined contribution superannuation funds) are recognised as an expense in profit or loss when they are due.

#### (j) Provisions

A provision is recognised if, as the result of a past event, GAWB has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow or economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (k) Revenue recognition

##### (i) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

*Water sales and connection charges:* Revenue from water sales is recognised upon actual or deemed delivery to the user, as specified in the individual agreements. Revenue from the installation of customer connections and the provision of services is recognised based on work completed at balance date.

*Other revenue:* Rent and lease income is recognised on a straight-line basis over the lease term.

*Grants:* Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and GAWB will comply with the conditions of the grant, and are then recognised in profit or loss on a systematic basis over the useful life of the asset.

Grants that compensate GAWB for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which expenses are recognised.

##### (ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.



# Notes to the financial statements

## for the year ended 30 June 2013

### 3. Significant accounting policies continued

#### (l) Finance income and costs

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that GAWB incurs in connection with the borrowing of funds.

#### (m) Income tax

GAWB is subject to the National Taxation Equivalents Regime. Income tax equivalents on the profit or loss for the year comprise current and deferred tax. Income tax equivalents expense 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.

Current tax equivalent is the expected tax equivalent payable/(refundable) on the taxable equivalent income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax equivalent payable/(refundable) in respect of previous years.

Deferred tax equivalent is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation equivalent purposes. Deferred tax equivalent is not recognised for the following

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable equivalent profit;
- temporary differences related to investment in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future;
- temporary differences arising on the initial recognition of goodwill.

Deferred tax equivalent is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax equivalent asset is recognised to the extent that it is virtually certain that future taxable equivalent profits will be available against which temporary difference can be utilised. Deferred tax equivalent assets are reviewed at each reporting date and are reduced to the extent that it is no longer virtually certain that the related tax equivalent benefit will be realised.

#### (n) Goods and services tax

Revenue, 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 Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part 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 balance sheet.

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.

# Notes to the financial statements

## for the year ended 30 June 2013

### 3. Significant accounting policies continued

#### (o) New standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application.

#### (i) Changes in accounting policy and disclosures effective in the current financial year:

AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax* – this relates to the measurement of deferred tax assets and deferred tax liabilities arising from investment property being measured at fair value. Clarifies that for assets held for sale, a deferred tax liability should be recorded in the event of difference between the tax cost base and the fair value.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* – disclosure of comprehensive income items must be grouped as to whether they might be reclassified subsequently to profit or loss (subject to specific conditions being met) and those that will not.

#### (ii) New standards and interpretations not yet effective

The following standards, amendments to standards and interpretations will become effective for the year ended 30 June 2014 and periods thereafter and so have not been applied in preparing this financial report.

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* – this establishes a single source of guidance for determining the fair value of assets and liabilities and requires enhanced disclosures about the fair value measurement assumptions. The adoption of this standard may result in minor changes to disclosures. The change is not expected to have any material impact.
- AASB 119 *Employee Benefits (revised)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AAB 119* – short term employee benefits can be reported as long term benefits where the nature is such that the expectations of timing of settlement will not be within 12 months (and not a temporary change). The change is not expected to have any material impact.
- AASB 2011-4 *Amendments to Australian Accounting Standards to remove individual Key Management Personnel Disclosure Requirements* – allows the removal of all and any key management personnel disclosure requirements. The change is not expected to have any material impact.
- AASB 2012-2 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* – requires entities to disclose information for users to evaluate the potential effect of the right to set-off financial assets and the financial liabilities in anticipation of the application of AASB 2012-3 in the following financial year. The change is not expected to have any material impact.
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* – which clarifies when an entity has a legally enforceable right to set-off financial assets and financial liabilities and present the net position in the Statement of Financial Position. The change is not expected to have any material impact.
- AASB 9 *Financial Instruments (revised)*, AASB 2009-11, AASB 2010-7, AASB 2010-10 and AASB 2012-6 – which amends the classification, recognition, derecognition and measurement of financial assets and liabilities. AASB 2012-6 amended the effective date from 1 January 2013 to 1 January 2015. An assessment of the likely impact of this standard will be made in the financial statements for 30 June 2014. The change is not expected to have any material impact.

All other standards and interpretations issued but not yet effective have been reviewed and are considered to have no impact on the financial statements.

#### (p) Comparatives

Where necessary, comparatives have been adjusted to conform with changes in presentation and disclosure.

#### (q) Forward Starting Loans

GAWB has entered into Forward Starting Loan (FSL) agreements with Queensland Treasury Corporation (QTC) as outlined at Note 18. GAWB does not recognise the undrawn loan commitments as financial liabilities on the balance sheet as they are not designated as financial liabilities at fair value through the profit or loss.

# Notes to the financial statements

## for the year ended 30 June 2013

### 4. Significant accounting judgements, estimates and assumptions

On 21 December 2010, the Premier and Treasurer (the QCA Ministers) published their decision in relation to the Queensland Competition Authority (QCA) investigation of GAWB's pricing practices for the 2010 Price Review. The QCA Ministers accepted all of the recommendations made by the QCA without qualification. The QCA review of GAWB's pricing practices underpins the commercial framework under which GAWB operates.

#### (a) Recognition of water sales and connection charges revenue

Revenue is recognised based on the price determined through application of the approved QCA pricing principles. Some customers requested that price transitioning be available to reduce the short term cash flow impact of the 2010 Price Review. This has led to a lower transitioned price being charged to customers during the initial years of the contract and higher prices being charged to those customers in latter years, with the overall price charged being net present value (NPV) neutral to GAWB.

In relation to customers with price transitioning agreements, the difference between the normal pricing contracts and the price transitioning arrangements is recognised as income with an associated receivable recognised at fair value. A receivable is recognised as GAWB has a contractual right to receive this income over the life of the agreement. In future years, the receivable is to be measured at amortised cost using the effective interest method.

#### (b) Comprehensive valuation of property, plant and equipment

GAWB undertakes a comprehensive valuation of the asset base, using an income based approach, at least every five years coinciding with the QCA's pricing principles investigation. This approach was applied as at 30 June 2010 using the following key assumptions and approach:

- GAWB's assets are subject to economic regulation in the form of a price cap and it is assumed that they will continue to be subject to regulation in the future.
- Cash flows have been projected based on forecasts of prudent and efficient operating costs and revenue consistent with GAWB's planning projections for the regulatory control period to June 2015 covered by the QCA's 2010 Final Report on GAWB's Pricing Practices. A residual value has been determined at the end of 2015.
- Revenue cash flows for the 2010-15 regulatory period assume a rate of return of 9.35% which represents the application, as at 30 June 2010, of the QCA's recommended post-tax WACC parameters in the 2010 Final Report. The assumed return is applied to a regulatory asset value consistent with the roll forward methodology adopted for the QCA's 2010 Final Report throughout the life of the assets.
- Pre-tax cash flows have been used in the forecasts of prudent and efficient operating costs and revenue. The projected cash flows have been discounted at a pre-tax rate of 9.53%.
- The residual value of the assets at 30 June 2015 has been determined using the best information available to estimate future cash flows and assumes that throughout the remaining useful life of the assets the regulator will be in alignment with the market view as to both the required rate of return and the costs of operating the assets sufficient to recover the residual value. It is also assumed that any form of future regulation will ensure an owner of these assets will receive a sufficient return on equity after repayment of debt.
- The future cash flows incorporate an allowance for price rebates provided to certain customers, which generally equates to an amount comprising both return on investment and return of investment for those assets funded by those customers.
- The QCA-recommended pricing methodology sets a constant real price over a 20-year period such that the present value of expected revenue over a 20-year period equals the present value of economic costs. However, there will be an under-recovery in the early years and an over recovery in the later years. Included in the residual value at 30 June 2015 is \$90.200 million which represents the cumulative under recovery or future value of the difference between the annual target or building block revenue and the smoothed price cap revenue over the regulatory control period. It is assumed that this amount will be recognised for price modelling purposes at the beginning of the next regulatory period consistent with current regulatory practice.
- Any unrealised capital gains from upwards revaluation of non-current assets are excluded from profit when determining dividend payable for a financial year in accordance with s.660(6)(b) of the *Water Act 2000*.
- For the 30 June 2013 revaluation, the movement in March consumer price index (CPI) (Brisbane All groups) of 2.102% (2012: 1.317%) was applied to assets held since 1 July 2012 and on hand as at 30 June 2013, consistent with the increase in customer prices and indexation of the regulated asset base (RAB).

# Notes to the financial statements

## for the year ended 30 June 2013

### 4. Significant accounting judgements, estimates and assumptions continued

#### (c) Impairment of property, plant and equipment and intangible assets

GAWB has determined that its assets (incorporating property, plant and equipment and intangibles) form a single cash generating unit (CGU), being the business operation incorporating storage, treatment and delivery of bulk water.

The recoverable amount of the CGU has been determined on a value in use basis. As GAWB is a price regulated monopoly business with oversight by the QCA, the value in use has been determined on a 2 year discounted cash flow model, being the regulatory period remaining until the next QCA pricing investigation. As the useful life of assets exceeds the value in use period, a terminal value is used to represent the future cash flows assuming the continuation of current regulatory practices. Where there is uncertainty at the measurement date that the terminal value for an asset can be supported by estimated future cash flows, a probability factor of the future cash flows has been applied to the terminal value.

Under GAWB's regulatory framework, GAWB is entitled to recover:

- return on investment and return of investment on the RAB;
- return on working capital; and
- recovery of a revenue carry-over from the previous regulatory control period.

The value in use of the CGU for 2012/13 has been calculated after considering the following:

- Revenue cash flows are a result of prices determined in accordance with the pricing practices set out in the QCA 2010 recommendations. Prices used to generate revenue cash flows are based on the prices applicable from 1 July 2013 indexed at the estimated CPI annual increase as used in the current Corporate Plan.
- No terminal value or cash flows have been included in the CGU value for the component of CSS expenditure that is not allowed to be recovered in customer prices from 1 July 2010. These amounts not currently being recovered in customer prices are being capitalised at WACC for regulatory purposes until a decision is made on whether or not to construct the asset.
- The discount rate is the pre-tax WACC rate consistent with the methodology recommended by the QCA. This rate reflects the level of risk free rate and risk premium in the cash flows. The principles for calculating the WACC rate have been independently verified through the pricing review process. The pre-tax WACC rate used in calculating the net present value is 9.53%.
- The present value calculation includes the following terminal asset values, which represent future cash flows assuming the continuation of current regulatory practices:

The notional value of the RAB at 30 June 2015 is calculated as the opening RAB value less depreciation plus capital expenditure for replacement of existing assets plus inflationary gain for the 1 July 2010 to 30 June 2015 regulatory period and results in a notional terminal value of \$441.940 million at 30 June 2015. Offset against this value is the notional terminal value of customer rebates at 30 June 2015 of \$39.980 million.

A notional terminal value of \$85.590 million has been included representing the notional terminal value of the Curtis Island Assets at 30 June 2015. Revenue relating to this infrastructure has been included in the revenue cashflows.

A notional terminal value of \$2.650 million has been included for the regulatory working capital allowance.

A terminal value of \$90.210 million has been included representing the cumulative under recovery or future value of the difference between the annual target or building block revenue and the smoothed price cap revenue over the regulatory period.

GAWB has reviewed the cash flows to be incorporated in the value in use model and has assessed that it is possible to segregate cash flows relating to the property, plant & equipment from the cash flows relating to the intangible asset. In this instance, the recoverable amount of the property, plant & equipment can be determined separately from the recoverable amount of the intangible asset.

The outcomes of the impairment assessment for the year ended 30 June 2013 resulted in:

- No further impairment loss being recognised in relation to the carrying value of land, buildings and improvements and infrastructure assets (2012: \$Nil).
- No further impairment loss being recognised in relation to the carry value of intangible assets (2012: \$Nil). A possible impairment recoupment of \$1.600 million (2012: \$0.610 million) for the intangible asset which was not reversed in the Statement of Comprehensive Income as there was not an associated increase in the estimated service potential of the intangible asset.

# Notes to the financial statements

## for the year ended 30 June 2013

	2013 \$000	2012 \$000
<b>5. Other income</b>		
Lease income, rents and royalties revenue	338	321
Gain on sale of assets	42	6
Restoration recoveries	–	125
Other	148	163
	528	615
<b>6. Property, plant and equipment</b>		
<b>Land, buildings &amp; improvements</b>		
Land:		
At directors' valuation	9,766	8,270
Buildings & improvements:		
At directors' valuation	17,470	16,252
Accumulated depreciation	(7,510)	(6,838)
Total land, buildings & improvements	19,726	17,684
<b>Infrastructure assets</b>		
At directors' valuation	564,908	465,525
Accumulated depreciation	(103,336)	(92,516)
Total infrastructure assets	461,572	373,009
<b>Minor plant &amp; equipment</b>		
At cost	5,445	5,127
Accumulated depreciation	(2,339)	(1,864)
Total minor plant & equipment	3,106	3,263
<b>Motor vehicles</b>		
At cost	105	100
Accumulated depreciation	(26)	(5)
Total motor vehicles	79	95
<b>Assets under construction</b>		
At cost	13,094	47,700
	497,577	441,751

# Notes to the financial statements

## for the year ended 30 June 2013

### 6. Property, plant and equipment continued

Reconciliation	Land, buildings & improvements \$000	Infra- structure assets \$000	Minor plant & equipment \$000	Motor vehicles \$000	Assets under construction \$000	Total \$000
Carrying amount at 1 July 2011	16,770	365,322	908	14	12,031	395,045
Additions	–	59	137	–	51,053	51,249
Disposals	(747)	(775)	(24)	(12)	–	(1,558)
Transfers	1,892	10,632	2,760	100	(15,384)	–
Revaluation increment/(decrement)	222	4,721	–	–	–	4,943
Depreciation	(453)	(6,950)	(518)	(7)	–	(7,928)
Impairment (loss)/reversal	–	–	–	–	–	–
Carrying amount at 30 June 2012	17,684	373,009	3,263	95	47,700	441,751
Carrying amount at 1 July 2012	17,684	373,009	3,263	95	47,700	441,751
Additions	–	278	27	–	57,809	58,114
Disposals	(91)	(87)	(25)	–	–	(203)
Transfers	2,307	89,740	364	4	(92,415)	–
Revaluation increment/(decrement)	342	7,658	–	–	–	8,000
Depreciation	(516)	(9,026)	(523)	(20)	–	(10,085)
Impairment (loss)/reversal	–	–	–	–	–	–
Carrying amount at 30 June 2013	19,726	461,572	3,106	79	13,094	497,577

#### Assets under construction

During the year, GAWB completed construction of the water infrastructure necessary to supply water to proponents on Curtis Island; costs included in Assets under Construction at reporting date totalled \$(Nil) (2012: \$36.697 million, including capitalised borrowing costs of \$1.202 million).

#### Deemed historical cost

Assets that are revalued include land, buildings and infrastructure. The deemed historical cost for these items are as follows (excluding Motor Vehicles and Minor Plant and Equipment as these classes have never been revalued).

	2013 \$000	2012 \$000
<b>Land, buildings and infrastructure at deemed historical cost</b>		
Land	6,434	5,940
Buildings	6,137	5,264
Infrastructure	239,191	238,809
<b>Total cost</b>	<b>251,762</b>	<b>250,013</b>

# Notes to the financial statements

## for the year ended 30 June 2013

### 7. Intangible assets

	Software	Land reservations	Easements	CSS development costs	Assets under construction	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2011	254	52	446	23,570	166	24,488
Additions	-	-	-	-	1,010	1,010
Disposals	-	-	-	-	-	-
Transfers in/(Transfers out)	408	-	6	590	(1,004)	-
Amortisation	(392)	-	-	(2,245)	-	(2,637)
Impairment (loss)/reversal	-	-	-	-	-	-
Balance at 30 June 2012	270	52	452	21,915	172	22,861
Balance at 1 July 2012	270	52	452	21,915	172	22,861
Additions	-	-	-	-	696	696
Disposals	-	-	-	-	-	-
Transfers in/(Transfers out)	23	-	-	626	(649)	-
Amortisation	(160)	-	-	(3,378)	-	(3,538)
Impairment (loss)/reversal	-	-	-	-	-	-
Balance at 30 June 2013	133	52	452	19,163	219	20,019
					<b>2013</b>	<b>2012</b>
					<b>\$000</b>	<b>\$000</b>

### 8. Auditors' remuneration

Audit services		
Queensland Audit Office		
Audit and review of financial reports	47	50

For the 30 June 2013 audit, the amount quoted for the audit fee was \$0.050 million. There are no non-audit services included in these amounts.

### 9. Finance income and expense

Interest income	1,079	1,663
Total finance income	1,079	1,663
Interest expense	(12,356)	(11,698)
Total finance costs	(12,356)	(11,698)
Net finance income/(expense)	(11,277)	(10,035)

# Notes to the financial statements

## for the year ended 30 June 2013

	2013 \$000	2012 \$000
<b>10. Income tax equivalents</b>		
<b>Recognised in the statement of comprehensive income</b>		
<i>Current tax equivalents (expense)/benefit</i>		
Current year	(3,732)	(5,885)
<i>Deferred tax equivalents (expense)/benefit</i>		
Origination and reversal of temporary differences	74	714
<b>Total income tax (expense)/benefit</b>	<b>(3,658)</b>	<b>(5,171)</b>
<i>Numerical reconciliation between tax expense and pre-tax net profit</i>		
Profit/(loss) for the year	8,345	12,064
Total income tax (expense)/benefit	(3,658)	(5,171)
Profit/(loss) excluding income tax equivalents expense	12,003	17,235
Income tax equivalents (expense)/benefit calculated at 30%	(3,601)	(5,171)
Income tax equivalents (under)/over provided in prior years	(55)	3
Accounting impairment	-	-
Non-deductible entertainment	(2)	(3)
	<b>(3,658)</b>	<b>(5,171)</b>

## 11. Capital and reserves

<b>Contributed equity</b>		
Balance at 1 July	64,647	63,711
Equity contributions	-	936
<b>Balance at 30 June</b>	<b>64,647</b>	<b>64,647</b>
<b>Asset revaluation surplus</b>		
Balance at 1 July	174,111	172,872
Revaluation increments/(decrements)	8,000	4,866
Deferred tax on revaluations	(2,400)	(1,483)
Transfer of increments on disposal of assets – net of tax	(295)	(2,144)
<b>Balance at 30 June</b>	<b>179,416</b>	<b>174,111</b>
<i>Asset revaluation surplus</i>		
The asset revaluation surplus relates to property, plant and equipment measured at fair value in accordance with applicable Australian Accounting Standards.		
<b>Retained earnings</b>		
Retained earnings at 1 July	23,435	11,571
Transfer of increments on disposal of assets	295	2,144
Dividends paid	(2,413)	(2,344)
Profit/(loss) for the year	8,345	12,064
<b>Retained earnings at 30 June</b>	<b>29,662</b>	<b>23,435</b>



# Notes to the financial statements

## for the year ended 30 June 2013

	2013 \$000	2012 \$000
<b>12. (a) Cash and cash equivalents</b>		
Cash at bank	2,369	2,616
Deposits at Queensland Treasury Corporation, at call	14,610	43,686
	16,979	46,302
<b>12. (b) Reconciliation of cash flows from operating activities</b>		
Operating profit/(loss) after income tax equivalents	8,345	12,064
Adjustment for: Depreciation	10,085	8,320
Amortisation	3,538	2,245
(Gain)/loss on sale of property, plant and equipment	151	1,242
	22,119	23,871
Change in assets and liabilities:		
(Increase)/decrease in trade receivables	571	(505)
(Increase)/decrease in capital projects receivables	4,353	(4,637)
(Increase)/decrease in other receivables & prepayments	(1,102)	3,038
(Increase)/decrease in deferred tax assets	(590)	(570)
Increase/(decrease) in trade and other payables	(1,783)	1,175
Increase/(decrease) in accruals	2,040	(387)
Increase/(decrease) in deferred tax liabilities	2,916	1,278
Increase/(decrease) in employee benefits	231	338
Increase/(decrease) in tax liabilities	(4,271)	3,161
Increase/(decrease) in provisions	372	581
Increase/(decrease) in deferred income	(1,632)	(1,010)
Increase/(decrease) in tax re Asset revaluation surplus	(2,400)	(1,483)
Net cash from operating activities	20,824	24,850

# Notes to the financial statements

## for the year ended 30 June 2013

### 13. Trade and other receivables

	2013 \$000	2012 \$000
<b>Current</b>		
Trade receivables	4,827	5,398
Other receivables and prepayments	2,412	1,310
Capital project receivables	286	4,639
Capital project payments on account	4,474	3,847
	11,999	15,194

Ageing analysis of trade receivables that are past due but not impaired at the reporting date:

	2013			2012		
	Total	Amount Impaired	Amount not Impaired	Total	Amount Impaired	Amount not Impaired
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	4,421	–	4,421	4,548	–	4,548
Past due 30 days	331	–	331	586	–	586
Past due 31 – 60 days	21	–	21	153	–	153
Past due >60 days	54	–	54	112	–	112
Total	4,827	–	4,827	5,398	–	5,398

As at 30 June 2013 GAWB had current trade receivables of \$Nil (2012: \$Nil) that were impaired.

All the current net trade receivables that are past due are with long standing customers who have a good payment history.

	2013 \$000	2012 \$000

### 14. Inventories

Balance at 1 July	228	172
Net increase/(decrease)	339	56
Balance at 30 June	567	228

### 15. Assets held for sale

Balance at 1 July	1,625	1,158
Additional land classified as held for sale	–	563
De-recognition of leasehold land	–	(96)
Carrying amount at 30 June	1,625	1,625

### 16. Biological assets

Balance at 1 July	19	20
Net increase/(decrease)	(2)	(1)
Balance at 30 June	17	19

# Notes to the financial statements

## for the year ended 30 June 2013

	2013 \$000	2012 \$000
<b>17. Trade and other payables</b>		
<b>Current</b>		
Trade creditors	1,179	2,961
Accrued audit fees	50	31
Security deposits	1,487	1,716
Advances received – Curtis Island Pipeline project	5,130	–
Capital works accruals	5,194	3,052
Other accruals	2,712	690
	15,752	8,450
<b>Non-current</b>		
Security deposits	10	10

## 18. Loans and borrowings

<b>Current liabilities</b>		
Queensland Treasury Corporation loans – unsecured	6,192	6,698
<b>Non-current liabilities</b>		
Queensland Treasury Corporation loans – unsecured	205,581	200,132

GAWB has a working capital facility of \$10.000 million available through Queensland Treasury Corporation (QTC) to assist in managing short term cash requirements.

<b>Finance facilities</b>		
Available at reporting date	221,773	211,830
Utilised at reporting date	(211,773)	(206,830)
	10,000	5,000

### Forward starting loans

GAWB has entered into FSL agreements with QTC where it agreed to borrow specified amounts in the future at a pre-determined interest rate. The FSL agreements minimise the risk of interest rate movements as the cost of debt being recovered in prices was fixed at 1 July 2010 for the 5 year regulatory period ending 30 June 2015. As at 30 June 2013 GAWB has drawn down a total of \$85.100 million in FSLs.

Total value of FSLs entered into	85,100	85,100
FSLs drawn down at reporting date	85,100	73,400
FSLs still to be drawn down at reporting date	–	11,700

### Finance lease liabilities

GAWB has no finance lease liabilities.

# Notes to the financial statements

## for the year ended 30 June 2013

	2013 \$000	2012 \$000
<b>19. Employee benefits</b>		
<b>Current</b>		
Liability for long service leave	263	148
Liability for annual and other leave	758	665
	1,021	813

<b>Non-current</b>		
Liability for long service leave	321	298

### Superannuation fund contributions

GAWB makes contributions to superannuation funds (including defined contribution superannuation funds). The amount recognised as expense was \$0.688 million for the financial year ended 30 June 2013 (2012: \$0.617 million).

### Workers' compensation insurance premium

The amount recognised as an expense for workers' compensation insurance was \$0.103 million for the financial year ended 30 June 2013 (2012: \$0.048 million).

## 20. Provisions

<b>Current</b>		
ILUA liability		
Balance at 1 July	128	128
Balance at 30 June	128	128
<b>Non-current</b>		
Price differentiation surcharge	840	468
Restoration provision	125	125
	965	593

## 21. Deferred income

<b>Current</b>		
Revenue received in advance	1,632	1,720
<b>Non-current</b>		
Revenue received in advance	7,458	9,002

## 22. Tax Liabilities

<b>Current</b>		
Current tax liabilities	522	4,793

# Notes to the financial statements

## for the year ended 30 June 2013

### 23. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Other assets	–	–	(44)	(37)	(44)	(37)
Property, plant & equipment	299	268	(42,484)	(39,575)	(42,185)	(39,307)
Intangible assets	3,384	2,513	–	–	3,384	2,513
Trade & other payables	13	13	–	–	13	13
Employee benefits	403	333	–	–	403	333
Provisions	–	9	–	–	–	9
Unearned income	252	141	–	–	252	141
Revenue received in advance	2,701	3,185	–	–	2,701	3,185
Tax assets/(liabilities)	7,052	6,462	(42,528)	(39,612)	(35,476)	(33,150)

Movement in temporary differences during the year:

	Balance 1 July 2011 \$000	Recognised in income \$000	Under/over prior years \$000	Recognised in equity \$000	Balance 30 June 2012 \$000
Other Assets	–	(34)	(3)	–	(37)
Property, plant and equipment	(38,032)	208	–	(1,483)	(39,307)
Intangibles	1,837	666	10	–	2,513
Trade & other payables	–	13	–	–	13
Employee benefits	232	101	–	–	333
Provisions	–	(42)	51	–	9
Unearned income	–	137	4	–	141
Revenue received in advance	3,520	(335)	–	–	3,185
	(32,443)	714	62	(1,483)	(33,150)

	Balance 1 July 2012 \$000	Recognised in income \$000	Under/over prior years \$000	Recognised in equity \$000	Balance 30 June 2013 \$000
Other Assets	(37)	(7)	–	–	(44)
Property, plant and equipment	(39,307)	(478)	–	(2,400)	(42,185)
Intangibles	2,513	871	–	–	3,384
Trade & other payables	13	–	–	–	13
Employee benefits	333	70	–	–	403
Provisions	9	(9)	–	–	–
Unearned income	141	111	–	–	252
Revenue received in advance	3,185	(484)	–	–	2,701
	(33,150)	74	–	(2,400)	(35,476)

# Notes to the financial statements

## for the year ended 30 June 2013

### 24. Financial risk management

#### (a) General objectives, policies and processes

The Board has overall responsibility for the determination of GAWB's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Chief Executive Officer.

GAWB's risk management policies and objectives are established to identify and analyse the risks faced by GAWB, to set appropriate risk limits and controls; and monitor the risks and adherence to limits. The Board receives monthly reports from the Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. GAWB's internal auditors also review the risk management policies and processes and report their findings to the Audit & Risk Management Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the entity's competitiveness and flexibility. There have been no substantive changes in GAWB's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Further details regarding these policies and the risks that affect GAWB are set out below.

The net fair value of GAWB's financial assets and liabilities are equivalent to the total carrying amounts as per the Statement of Financial Position except for the net fair value of Queensland Treasury Corporation borrowings, which is based on market prices. The carrying amounts of trade and other receivables and trade and other payables are a reasonable approximation of their net fair values.

Financial instruments	Total Carrying Amount		Net Fair Value	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
<b>Financial Assets</b>				
Cash and cash equivalents:				
Cash at bank and on hand	2,369	2,616	2,369	2,616
Deposits at QTC	14,610	43,686	14,610	43,686
	16,979	46,302	16,979	46,302
<b>Financial Liabilities</b>				
Interest-bearing liabilities	211,773	206,830	222,895	217,947

#### (b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in GAWB incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to GAWB.

There is concentration of credit risk with respect to current and non-current receivables as GAWB has a small number of customers. GAWB policy is that water sales are only made to eligible customers.

The carrying amount of receivables represents the maximum exposure to credit risk. GAWB's most significant customer accounts for \$1.221 million of trade receivables at 30 June 2013 (2012: \$1.274 million). Further analysis of the credit quality of trade receivables (including an aging analysis and details of impairment (if any) is included in note 13).

##### *Cash and cash equivalents*

GAWB held cash and cash equivalents of \$16.979 million at 30 June 2013 (2012: \$46.302 million) which represents its maximum credit exposure on these accounts. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+ based on rating agency Standard & Poors ratings.

# Notes to the financial statements

## for the year ended 30 June 2013

### 24. Financial risk management continued

#### (c) Liquidity risk

Liquidity risk is the risk that GAWB may encounter difficulties raising funds to meet commitments associated with financial liabilities, e.g. borrowing repayments. Water sales are on a contracted basis to customers with payments monitored for compliance with contract terms. It is GAWB's policy to maintain cash balances sufficient to cover current operating requirements. This is achieved through cash flow planning using one year and five year forward budgets for operating and capital expenditure. The Board also monitors liquidity risk through monthly reports on GAWB's financial and operating results.

The following financing facilities were available at balance date:

	2013 \$000	2012 \$000
<b>Credit stand-by arrangements</b>		
Available facilities:		
Overdraft	10,000	5,000
Unused facilities:		
Overdraft	10,000	5,000
<b>Loans</b>		
Total facilities (including Forward Starting Loans):	211,773	218,530
Used at balance date	211,773	206,830
Unused at balance date (comprising Forward Starting Loans)	–	11,700

The Overdraft facility may be drawn down at any time but may be terminated by the financier without notice. Of the loan facilities, \$211.773 million is fully drawn and has a maturity of 20 years. All the FSLs have been drawn down as at 30 June 2013. The FSLs have a maturity date of 30 June 2015.

#### Maturity analysis

	Fixed interest maturing in:			Floating interest rate	Non interest bearing	Total
	1 year or less \$000	1 to 5 years \$000	Over 5 years \$000			
<b>30 June 2012</b>						
<b>Financial Liabilities</b>						
Trade and other payables	–	–	–	–	8,450	8,450
Interest-bearing liabilities	21,227	84,806	300,620	–	–	406,653
Total	21,227	84,806	300,620	–	8,450	415,103
<b>30 June 2013</b>						
<b>Financial Liabilities</b>						
Trade and other payables	–	–	–	–	15,752	15,752
Interest-bearing liabilities	22,284	87,769	395,304	–	–	505,357
Total	22,284	87,769	395,304	–	15,752	521,109

# Notes to the financial statements

## for the year ended 30 June 2013

### 24. Financial risk management continued

#### (c) Liquidity risk (continued)

Interest-bearing liabilities disclosed in the maturity analysis are the contractual undiscounted cash flows of the liabilities in accordance with the requirements of AASB 7 Financial Instruments: Disclosures as they represent the amount GAWB is contractually required to pay at maturity of the liabilities. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

#### (d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows for financial instruments will fluctuate because of changes in market interest rates. This applies specifically to cash and cash equivalents and loans and borrowings held by GAWB.

Interest on the QTC cash fund deposits is received at variable interest rates. However, these balances are subject to an insignificant risk of changes in value.

GAWB is exposed to the risk of interest rate movements within and between each five-year regulatory period on differences between the cost of debt being recovered in customer prices and the cost of debt for any borrowings made. To minimise the uncertainty of this risk, GAWB employs the following debt management strategies:

- For borrowings existing at the commencement of the regulatory period, the resetting of the debt is aligned with the regulatory pricing period.
- For forecast borrowings within the regulatory period, GAWB considers the likelihood and timing of the forecast borrowings and where appropriate enters into FSL arrangements with QTC which lock in the interest rate for these forward borrowings.

The effect of changes in interest rate risk of more or less than 100 basis points is shown in the sensitivity analysis below:

	Carrying amount \$000	Interest Rate Risk			
		-100 bpts		+100 bpts	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
<b>30 June 2012</b>					
Cash at bank	2,616	-	-	-	-
QTC Cash Fund	43,686	(436)	(436)	436	436
<b>30 June 2013</b>					
Cash at bank	2,369	-	-	-	-
QTC Cash Fund	14,610	(146)	(146)	146	146



# Notes to the financial statements

## for the year ended 30 June 2013

### 24. Financial risk management continued

#### (e) Capital risk management

GAWB considers its capital to comprise its contributed equity, asset revaluation surplus and accumulated retained earnings.

In managing its capital, GAWB's primary objective is to ensure its continued ability to provide a consistent return on equity through a combination of capital growth and distributions. In order to achieve this objective, GAWB seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable GAWB to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, or the reduction of debt, GAWB considers not only its short-term position but also its long-term operational and strategic objectives.

It is GAWB's target to maintain its gearing ratio within the range of 38%–45%. GAWB's gearing ratio at the balance sheet date is shown below:

	2013 \$000	2012 \$000
<b>Gearing ratios</b>		
Total debt	211,773	206,830
Total equity	273,725	262,193
Total equity and net debt	485,498	469,023
Gearing ratio	44%	44%

There have been no significant changes to GAWB's capital management objectives, policies and processes in the year nor has there been any change in what GAWB considers to be its capital.

### 25. Operating leases

#### Leases as lessee

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

Not later than 1 year	93	630
Later than one year not later than five years	782	423
Later than five years	2,809	–
	3,684	1,053

During the year ended 30 June 2013, \$0.624 million was recognised as an expense in the statement of comprehensive income in respect of operating leases (2012: \$0.590 million).

### 26. Capital and other commitments

Expenditure commitments (including GST) contracted for but not provided for and payable:

Amounts to be expensed:		
Not later than one year	161	157
Later than one year, but less than five years	87	134
More than five years	–	–
	248	291
Amounts to be capitalised:		
Not later than one year	9,212	34,989
Later than one year, but less than five years	396	–
More than five years	–	–
Infrastructure projects	9,608	34,989

# Notes to the financial statements

## for the year ended 30 June 2013

### 27. Contingencies

- (a) GAWB is currently engaged in a dispute resolution process relating to a terminated construction contract. Further information on this matter cannot be disclosed due to the confidential nature of the arrangements.
- (b) The Commonwealth Bank of Australia has issued on GAWB's behalf three bank guarantees for a total of \$0.275 million as security for:
- a lease on premises at 38 Hope Street, South Brisbane;
  - construction of a pipeline within land held by Queensland Rail; and
  - construction, operation and maintenance of a pipeline and reservoirs on Curtis Island
- (c) Otherwise there are no other known contingent assets or liabilities.

### 28. Director, key executive management personnel and related party disclosures

The directors of GAWB and the key executive management personnel (KMP) that had authority and responsibility for planning, directing and controlling the activities of the agency during the 2012/13 financial year and during the 2011/12 financial year (for comparative purposes) were:

<b>Board of directors</b>			
<b>Position</b>	<b>Responsibilities</b>	<b>Appointment authority</b>	<b>Date initially appointed to position (Date resigned from position)</b>
Chairperson – Ms Mary Boydell	Responsible for leading and directing the board, presiding at all meetings attended, for governing the operations of GAWB and reporting and continuous disclosure to the Minister under the <i>Water Act 2000</i> .	<i>Water Act 2000</i> section 600, 601 and 605	29 June 2001
Director – Mr Craig Butler *	Responsible for governing the operations of GAWB and reporting and continuous disclosure to the Minister under the <i>Water Act 2000</i> .	<i>Water Act 2000</i> section 600 and 605	17 September 2004
Director – Mr Clyde Cameron *			14 August 2009
Director – Mr Warren Dinte			1 October 2000
Director – Mr John Mulheron			15 December 2000
Director – Ms Amelia Hodge			16 July 2010
Director – Mr Malcolm Leinster			05 August 2011

\* councillors with Gladstone Regional Council until 10 May 2012.

Other than cessations during the 2011/12 and 2012/13 financial years, the position titles and responsibilities listed represent those that apply to GAWB's KMP as at 30 June 2013.

# Notes to the financial statements

## for the year ended 30 June 2013

### 28. Director, key executive management personnel and related party disclosures continued

<b>KMP</b>			
<b>Position</b>	<b>Responsibilities</b>	<b>Contract classification and appointment authority</b>	<b>Date initially appointed to position (Date resigned from position)</b>
Chief Executive Officer	Responsible for achievement of GAWB's Performance Plan outcomes by providing leadership, support and direction to management and staff.	Common law term contract	31 March 2006
Corporate Services Manager	Governance, procurement, risk, compliance, information technology, land management, disaster management co-ordination and safety systems. Incorporated HR Specialist from 4 November 2011. Included corporate secretarial functions until 28 November 2011.	Common law contract	22 October 2010
Corporate Secretary	Corporate secretarial functions and processes.	Common law contract	28 November 2011
Chief Financial Officer	Strategic projects, economic regulation financial management, reporting and compliance.	Common law contract	29 April 2011
Infrastructure Planning & Delivery Manager	Managing the planning, implementation and delivery of capital works projects, environmental compliance, drought management planning, and catchment modelling. Incorporates network modelling and planning functions.	Common law contract	1 April 2011
Operations & Maintenance Manager	Water quality, treatment plant operations and asset maintenance activities.	Common law contract	1 April 2011 (21 January 2013)
Operations & Maintenance Manager	Water quality, treatment plant operations and asset maintenance activities.	Common law contract	25 February 2013
Special Projects Manager	Oversight and delivery of special projects assigned by the Chief Executive Officer.	Common law contract	25 March 2008 (28 June 2013)
<b>Restructured Positions</b>			
Infrastructure Planning Manager	Project definition and development, and water network modelling and planning. Incorporated into the role of the Infrastructure Planning & Delivery Manager.	Common law contract	1 April 2011 (24 April 2012)

The compensation for each director is set by the Minister in line with the *Water Act 2000* section 624.

# Notes to the financial statements

## for the year ended 30 June 2013

### 28. Director, key executive management personnel and related party disclosures continued

compensation for the Chief Executive Officer is approved by the Board with compensation for the other KMP endorsed by the Board annually on the recommendation of the CEO and the Human Resources & Remuneration Committee having regard to GAWB's employee remuneration policy and government guidelines. It includes:

- Short term employee benefits including:
  - Salary, allowances and leave entitlements paid and provided to the KMP during the year while they were a KMP that were recognised as expenses in the Statement of profit or loss and other comprehensive income;
  - Non-monetary benefits in the form of salary packaging to KMP is also provided, including the provision of a motor vehicle (including the associated fringe benefits tax), less any business use cost.
- Long term employee benefits, consisting of long service leave accrued.
- Post employment benefits, consisting of superannuation contributions to accumulation funds and defined contribution plans.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide for notice periods and payments on termination only.
- Performance bonuses are paid to senior executives for the achievement of balanced organisational performance outcomes (water supply, commercial results, corporate responsibility and capability), with bonuses capped at 15% of the senior executive's remuneration. Performance bonuses are managed in accordance with the remuneration policy and government guidelines.

Sitting Councillors are not remunerated. Director compensation included the following:

<b>Board of directors compensation</b>							
Position	Year	Short term employee benefits		Long term employee benefits	Post employment benefits	Termination benefits	Total remuneration
		Monetary benefits	Non-monetary benefits				
		\$000	\$000	\$000	\$000	\$000	\$000
Chairperson – Ms Mary Boydell	2013	43	–	–	4	–	47
	2012	43	–	–	4	–	47
Director – Mr Craig Butler	2013	7	–	–	–	–	7
	2012	1	–	–	–	–	1
Director – Mr Clyde Cameron	2013	9	–	–	1	–	10
	2012	1	–	–	–	–	1
Director – Mr Warren Dinte	2013	12	–	–	1	–	13
	2012	12	–	–	1	–	13
Director – Mr John Mulheron	2013	10	–	–	–	–	10
	2012	14	–	–	–	–	14
Director – Ms Amelia Hodge	2013	7	–	–	1	–	8
	2012	9	–	–	1	–	10
Director – Mr Malcolm Leinster	2013	8	–	–	1	–	9
	2012	6	–	–	1	–	7
Total remuneration	2013	96	–	–	8	–	104
	2012	86	–	–	7	–	93

# Notes to the financial statements

## for the year ended 30 June 2013

28. Director, key executive management personnel and related party disclosures continued

KMP compensation included the following:

### KMP compensation

Position	Year	Short term employee benefits		Long term employee benefits \$000	Post employment benefits \$000	Termination benefits \$000	Total remuneration \$000
		Monetary benefits \$000	Non-monetary benefits \$000				
Chief Executive Officer	2013	285	23	20	25	–	353
	2012	271	35	19	24	–	349
Corporate Services Manager	2013	182	2	8	14	–	206
	2012	163	3	6	16	–	188
Corporate Secretary	2013	151	–	1	22	–	174
	2012	92	–	–	13	–	105
Chief Financial Officer	2013	183	2	5	16	–	206
	2012	169	–	3	16	–	188
Infrastructure Planning & Delivery Manager	2013	172	1	2	14	–	189
	2012	158	1	1	13	–	173
Operations & Maintenance Manager	2013	96	3	5	19	–	123
	2012	153	6	9	18	–	186
Operations & Maintenance Manager	2013	61	–	–	5	–	66
	2012	–	–	–	–	–	–
Special Projects Manager	2013	99	–	(8)	23	–	114
	2012	157	1	4	51	–	213
<b>Restructured positions</b>							
Infrastructure Planning Manager	2013	–	–	–	–	–	–
	2012	85	–	(14)	48	–	119
HR Specialist	2013	–	–	–	–	–	–
	2012	41	–	–	4	–	45
<b>Total remuneration</b>	2013	1,229	31	33	138	–	1,431
	2012	1,289	46	28	203	–	1,566

# Notes to the financial statements

## for the year ended 30 June 2013

### 28. Director, key executive management personnel and related party disclosures continued

Details of performance bonuses paid or payable to KMP is set out below:

A performance bonus was paid on 4 October 2012 to the Chief Executive Officer, Chief Financial Officer, Infrastructure Planning and Delivery Manager, Corporate Services Manager, Operations & Maintenance Manager and Corporate Secretary. In the prior year, a performance bonus was paid on 6 October 2011 to the Chief Executive Officer, Chief Financial Officer, Infrastructure Planning Manager, Corporate Services Manager and Special Projects Manager.

	2013 Number	2012 Number
\$30,000 to \$39,999	1	1
\$20,000 to \$29,999	–	1
\$10,000 to \$19,999	4	3
\$0 to \$9,999	1	–
Total	6	5

### Transactions with directors and director related entities

In the ordinary course of business and under normal terms and conditions, during the financial year GAWB has dealt with Gladstone Regional Council of which Mr C Butler and Mr C Cameron were councillors until 10 May 2012.

Transactions are on commercial terms that are no more favourable than those offered to or by other parties.

### Transactions with KMP and KMP related entities

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

From time to time, key management personnel of GAWB or their related entities, may purchase goods from GAWB. These purchases are on the same terms and conditions as those entered into by other employees of GAWB or customers and are trivial or domestic in nature.

### 29. Subsequent event

Between the end of the financial year and the date of this report, there has not been any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of GAWB, to affect significantly the operations of GAWB, the results of those operations, or the state of affairs of GAWB, in future financial years.

### 30. Creation of Gladstone Area Water Board Employing Office

GAWB established an Employing Office on 6 November 2008 as required by amendments to section 625 of the *Water Act 2000*. The Employing Office represents the State and it is intended to consist of an executive officer (expected to be the CEO of GAWB) and staff (current GAWB employees). The establishment of the Employing Office permits the transfer of GAWB's existing staff to the new entity should staff be invited to do so and accept that invitation. There has been no transfer of staff to the Employing Office, nor is there any current intention to invite GAWB staff to transfer, and the established Employing Office is dormant. Accordingly, a separate financial report for the 2012/13 financial year has not been prepared by the Gladstone Area Water Board Employing Office.

# Management certification of the financial statements

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with Section 62(1)(b) of the Act we certify that in our opinion:

- (a) The prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;  
and
- (b) The financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Gladstone Area Water Board for the financial year ended 30 June 2013 and of the financial position of the Gladstone Area Water Board at the end of that year.



M.S. Boydell  
Chairperson



J. Grayson  
Chief Executive Officer

Gladstone Area Water Board  
30 August 2013

# Independent Auditor's report

## To the Board of Gladstone Area Water Board

### Report on the Financial Report

I have audited the accompanying financial report of Gladstone Area Water Board which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairperson and Chief Executive Officer.

#### **The Board's Responsibility for the Financial Report**

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

#### **Independence**

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

#### **Opinion**

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Gladstone Area Water Board for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.



## Independent Auditor's report continued

### Other Matters – Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



N. George CPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane



# Glossary

Act	<i>Water Act 2000</i> (Qld)
AMS	Asset Management System
A&RM Committee	Audit & Risk Management Committee
ASX	Australian Stock Exchange
Board	GAWB's Board of Directors
Boyne River ROP	Boyne River Basin Resource Operations Plan 2003
CAPEX	Capital expenditure
CEO	Chief Executive Officer
CNF	Competitive Neutrality Fee
CQRWSS	Central Queensland Regional Water Supply Strategy
CQU	Central Queensland University
CSS	Contingent Supply Strategy
DAFF	Department of Agriculture, Fisheries and Forestry
DEWS	Department of Energy and Water Supply
DNRM	Department of Natural Resources and Mines
DWQMP	Drinking Water Quality Management Plan
EAP	Employee Assistance Program
EBIT	Earnings Before Interest and Tax
EIS	Environmental Impact Statement
ERA	Environmentally Relevant Activity
FCI	Flood Commission of Inquiry
FSL	Forward Starting Loan
FTE	Full Time Equivalent
GAWB	Gladstone Area Water Board
GFP	Gladstone Fitzroy Pipeline Project
GRC	Gladstone Regional Council
GWTP	Gladstone Water Treatment Plant
HR&R Committee	Human Resources & Remuneration Committee
ICT	Information Communication and Technologies
IP	Information Privacy
KPM	Key Performance Measure
LDMG	Local Disaster Management Group
LFRIP	Lower Fitzroy River Infrastructure Project
LNG	Liquefied Natural Gas
LTI	Lost Time Injury
Minister	Minister for Energy and Water Supply
ML	Megalitres
ML p.a.	Megalitres per annum
NGER	National Greenhouse and Energy Reporting
PCIMP	Port Curtis Integrated Monitoring Program
QCA	Queensland Competition Authority
QTC	Queensland Treasury Corporation
ROL	Resource Operations Licence
RTI	Right to Information
SAMP	Strategic Asset Management Plan
SEPPP	Senior Executive Performance Payment Plan
SESP	Smart Energy Savings Program
SWP	Strategic Water Plan
TEC	Total Employment Cost
WRP	Water Resource (Boyne River Basin) Plan 2000
WSSRA	<i>Water Supply (Safety &amp; Reliability) Act 2008</i> (Qld)
YWTP	Yarwun Water Treatment Plant



# Directory

## Principal place of business

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ISSN 1837-2252

## Directors

Mary Boydell – Chairperson  
Craig Butler  
Clyde Cameron  
Warren Dinte  
Amelia Hodge  
Malcolm Leinster  
John Mulheron

## Chief Executive Officer

Jim Grayson

## Corporate Secretary

Mark McKeon

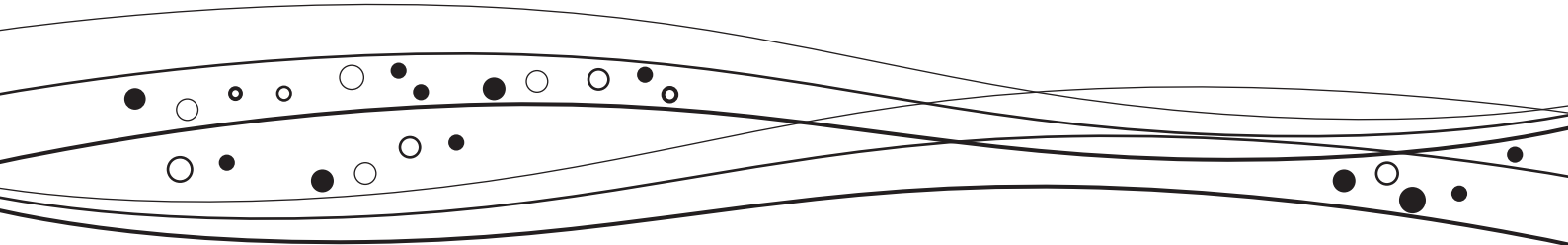
Copies of this Annual Report may be obtained on request from the Corporate Secretary at the above address. Copies of the current Annual Report are also available to download from our website.

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**Gladstone Area  
Water Board**



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