

GLADSTONE AREA  
WATER BOARD  
ANNUAL  
REPORT





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10 September 2010

The Honourable Stephen Robertson MP  
Minister for Natural Resources Mines and Energy and Minister for Trade  
PO Box 15216 CITY EAST QLD 4002

Dear Minister

The Gladstone Area Water Board (GAWB) is pleased to present its Annual Report for the year ended 30 June 2010 outlining progress against its Performance Plan objectives and other statutory requirements.

During the year GAWB remained focused on ensuring the long and short-term water needs of current and future customers are met in ways that are environmentally, socially and commercially sustainable. GAWB does this by delivering against its four business goals – Meeting Water Needs, Commercial Results, Corporate Responsibility and Capability.

GAWB is focused on meeting the water supply needs of its customers, not only their demand requirements but also ensuring that their sufficiency, reliability, quality and price requirements are balanced with risk.

The 2009/2010 wet season provided significant inflow with Awoonga Dam filling to 39.21 metres, storing 724,527 megalitres and representing 93.26% capacity. This is the highest level achieved to date and allows GAWB to now access 76,000 megalitres per annum out of its total allocation of 78,000 megalitres per annum.

GAWB made sound progress in improving operational efficiency and effectiveness, capex delivery and preparedness to respond to the need for supply augmentation arising from either a drought or demand trigger. The Contingent Supply Strategy is GAWB's risk based economically efficient response to ensuring it can meet customers supply needs in the future.

In order to meet the needs of its customers GAWB must be commercially sustainable and make progress towards earning the regulated rate of return consistent with the Pricing Practices recommended by the Queensland Competition Authority (QCA). The 2010 Pricing Practices Investigation undertaken by the QCA provides the recommendations that underpin GAWB's commercial framework and funding for necessary and efficient costs for the regulatory control period to 2015. The outcomes of this investigation are the result of a whole of business approach and demonstrate continuous improvement in operational and business processes.

GAWB is committed to ensure the health and safety of its employees, the wider community who might interact with it operationally, through accessing the recreational facilities or as neighbouring landholders and to meet environmental obligations.

It is pleasing to note that GAWB recorded nil lost time injuries and nil reported safety incidents for the year as well as nil breaches and 100% compliance for environmental standards. In 2010/2011 GAWB will remain focused on achieving zero harm for its employees, the community and the environment.

For GAWB to deliver sustainable outcomes it must continue to develop its capability. GAWB does this by planning, managing and developing the appropriate mix of skills and resources and having a strong deliberate approach to managing risks.

GAWB's overall performance continues to demonstrate steady and substantive improvement. For a small organisation, it undertakes significant and challenging initiatives. GAWB's employees work hard to deliver these outcomes and while it has been a very busy year it was pleasing that a rating of 5.1 out of 7 was recorded in the annual employee satisfaction survey. This is a commendable outcome in a very busy year and demonstrates the leadership of GAWB's CEO, Jim Grayson and his management team. On behalf of directors, I acknowledge and thank GAWB's staff for their ongoing commitment and contribution and their support for the board.

I would also like to acknowledge the continuing advice and cooperation of officers of your department and other government departments as well as the contribution and support of my fellow directors. In particular, I record our sincere recognition of the contribution of retiring directors Peter Corones AM and Rowena McNally.

We believe GAWB is now well placed to meet the water supply needs of customers, both on a day-to-day basis and over the long term, through the development of a sustainable water supply system, strong operational control, a culture of safety and compliance and the regulatory settings to support commercial sustainability.

We hope you find the report informative.

Yours sincerely

Mary S Boydell  
Chairperson



# INTRODUCTION

Pursuant to section 1084 of the *Water Act 2000* (the Act), GAWB is taken to be a Category 1 Water Authority from 1 July 2000. GAWB is also a registered Service Provider under the *Water Supply (Safety & Reliability) Act 2008 (Qld) (WSSRA)* and 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. A number of activities and projects during the year have improved the knowledge and data GAWB holds on these assets and provide the business with the necessary tools to maintain and operate as an effective water service provider. Improvements include asset maintenance systems, internal resources for the ongoing maintenance of these assets and continual training and knowledge development for all operational activities.

GAWB continues to hold an allocation of 78,000 ML per annum (ML p.a.) from Awoonga Dam on the Boyne River by virtue of a Resource Operations Licence issued pursuant to the *Water Resource (Boyne River Basin) Plan 2000 (WRP)*. Until the Awoonga Dam storage is first filled to its full current capacity of 40 metres, GAWB's licence limits the amount of water which GAWB may take to a notional yield of approximately 76,000 ML p.a. calculated by reference to the highest level filled to date (currently recorded as 39.21m or 93.26% as on 1 April 2010).

To improve the security of the water supply system GAWB initiated its Contingent Supply Strategy (CSS). The CSS involves GAWB developing (and retaining) the capability to quickly and efficiently respond to identified "supply failure scenarios" which could be caused by either:

- failure of storage arising from (or "as a consequence of") drought; or
- inability to meet new demand of customers due to the limits of the annual water allocation from Awoonga Dam, currently approximately 76,000ML p.a.

At its core is the development of capacity to respond to the uncertainty of the future, having regard to the consequences of supply failure. The CSS not only involves the identification and investigation of available augmentation options allowing the least-cost (highest benefit) solution to be identified, but also includes undertaking necessary preparatory work and planning on augmentation options to enable GAWB to respond in an efficient and effective manner with the most appropriate delivery augmentation option.

These works include feasibility and preparatory works for the Gladstone Fitzroy Pipeline (GFP) Project, feasibility studies for desalination, participation in the Lower Fitzroy River Water Infrastructure Project (LFRIP) and other technology driven options and potential commercial responses to achieve demand reduction including options for buy back of excess reservation of customers, curtailment options, contractual by-pass and buy back negotiations with customers.

GAWB's 30,000 ML water allocation from the Lower Fitzroy River under the Central Queensland Regional Water Supply Strategy (CQRWSS) was formalised through the amendment of the Fitzroy Basin Resource Operations Plan 2004 in July 2009. However, to receive this allocation, the storage infrastructure must be in place prior to a successful wet season so that ample storage is contained before the delivery system, the GFP Project (GAWB's current primary response for capacity development), is commissioned.





## INTRODUCTION CONTINUED

The goal of the GFP is directed to the completion of approvals and works required to access the 30,000 ML entitlement for GAWB within a 24 month time frame of when required to meet demand or mitigate supply shortages from drought. This process includes oversight and reporting by the QCA in response to a referral from the QCA Ministers. GAWB is now well positioned to respond to the need for supply augmentation arising from either a drought or demand trigger.

To support the GFP project and receive the allocation, GAWB has continued involvement as a joint proponent in developing the business case for the LFRIP. GAWB's focus is to ensure infrastructure on the Fitzroy River is capable of being brought on line within the required complementary timeline and that delivery of the project meets GAWB's criteria of necessary and efficient costs.

The final QCA report for the 2010 Price Reset recommendations includes specific reference to the recovery of the CSS costs in prices effective from 1 July 2010 and these will require GAWB to review and refine its approach to the delivery of the strategic intent of the CSS. The goal of the GFP continues to be directed to the completion of approvals and works required to access the 30,000 ML entitlement for GAWB within a 24 month time frame of when required to meet demand or mitigate supply shortages from drought. "Ready to Implement" status for the GFP is forecast to be achieved by the end of calendar year 2011 with ongoing attention directed to retaining the currency and relevance of this capability.

In addition to the progress made on the CSS projects and the outcomes of the QCA Price reset review (both CSS and efficient operating allowances for capital and operating expenditure), GAWB has continued to implement and finalise a number of operational activities and projects during the financial year and developed the capability with improved resources and appropriate systems. All of these activities provide GAWB with a stable platform to move forward and continue efficient and effective operations to meet the water needs of the region into the future.

At 30 June 2010, GAWB had total assets of \$421.257 million, with equity of \$232.823 million, and employed 60 people (52 full time equivalents). GAWB's revenue in 2009/10 from the supply of water was \$28.151 million.

### OUR VISION

To be an excellent water business.

### OUR 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.

### OUR VALUES

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

- Professionalism
- Accountability
- Communication
- Trust



## DURING 2009/10, GAWB OPERATED TO ACHIEVE BUSINESS OBJECTIVES IN FOUR KEY RESULT AREAS

**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 Citizenship:** To be regarded as a responsible corporate citizen.

**Capability:** To ensure the organisation has the ability to carry out its mission.





# OVERVIEW OF THE YEAR

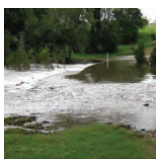
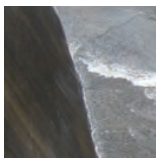
During the 2009/10 financial year GAWB continued to focus on ensuring that the organisation is well placed to efficiently and sustainably meet the water needs of its customers into the future. Continuous improvement in operational and asset management practices and securing resources for the continued development and improvement of business systems and capability underpins GAWB's ability to improve its performance.

GAWB achieved sound operational outcomes and significant progress on a number of projects so that it is now well positioned to meet the water supply needs of its customers. In the short term, the costs of achieving this negatively impacted the operating result and a number of financial KPI's for the financial year. During the year GAWB sought to redress the shortfalls by recouping such necessary and efficient costs in prices to be applied from 1 July 2010 as part of the submissions to the QCA for the purpose of the 2010 Pricing Practices Investigation<sup>1</sup>. This included robust submissions to the QCA in relation to GAWB's commercial framework and its expenditure proposals underpinned by credible demand forecasts.

**Our significant highlights for the 2009/2010 financial year include:**

## MEETING WATER NEEDS

- Completion of the QCA Price Reset investigation and achievement of appropriate outcomes for the efficient operations of GAWB to continue into the future to meet the needs of customers.
- Continued with the preparatory works of the GFP Project to progress GAWB's ability to enable the delivery and transport of the reserved 30,000 ML from the Lower Fitzroy River to GAWB's existing Gladstone system. Due to the uncertainty of the recovery of the costs relating to the GFP project, a conscious effort was made to limit the expenditure incurred to only that of a critical nature to ensure preparedness to respond to the augmentation triggers was maintained.
- Continued involvement as a joint proponent (with Sunwater) in developing the business case for the LFRIP. GAWB's focus is to ensure infrastructure on the Fitzroy River is capable of being brought on line within the required complementary timeline and that delivery of the project meets GAWB's criteria of necessary and efficient costs.
- Progressing feasibility studies for both a large and small scale desalination plant with the intent of the investigations to provide GAWB with its preferred site for a desalination plant as well as a scorecard upon which to monitor developments in technology and possible collaboration with industry.
- Increased in-house Water Quality management of sampling and testing resulting in improved knowledge and systems for ensuring appropriate water quality for consumers.
- Compliance with Dam Safety requirements including development of a detailed program of works required for the ongoing maintenance and improvement of the dam infrastructure owned by GAWB.
- Telemetry Control Systems Upgrade project providing greater use of technology to achieve efficient and effective operation of GAWB's water distribution network.



<sup>1</sup> Queensland Competition Authority - Final Report - Gladstone Area Water Board: Investigation of Pricing Practices - June 2010



## OVERVIEW OF THE YEAR CONTINUED

- The in sourced operations of Gladstone Water Treatment Plant and Yarwun Water Treatment Plant and associated infrastructure commenced in early July 2009 with the engagement of suitably qualified resources. The transition to the in sourced operations has been very successful and combined with the in house water quality monitoring has resulted in much improved water quality testing results, operational efficiencies and development of corporate knowledge of GAWB assets.
- Completed the implementation of the Water Fluoridation project to meet the requirements of fluoridated water supply by December 2009 as required by the *Water Fluoridation Act 2008 (Qld)*.
- Implemented the new Operations and Maintenance delivery model with the in sourcing of electrical and mechanical resources due to the expiry of previous arrangements with Gladstone Regional Council (GRC).

## COMMERCIAL RESULTS

- Preparation of detailed submissions for the purpose of the 2010 Pricing Practices Investigation by the QCA to determine the tariffs that GAWB will be permitted to recover from customers from 1 July 2010 to 30 June 2015.
- Water sales of \$28.151 million (47,188 ML) compared to target sales of \$26.388 million (48,811 ML).
- Operating expenses of \$17.376 million (includes GFP and LFRIP expenses) compared to budget expenditure of \$19.244 million.
- Net loss after tax equivalents of \$7.056 million compared to budgeted loss of \$4.300 million resulting mainly from the recognition of an impairment loss of \$6.7 million against the intangible asset offset by increased sales and reduced operating expenses.
- Debt/equity ratio of 37% at 30 June 2010, lower than target of 44%.
- GAWB recommended that no dividends be paid for 2009/10.

## CORPORATE CITIZENSHIP

- Continuous improvement in our focus and commitment to ensuring a safe workplace for employees, contractors and the public. Reporting and monitoring of safety incidents is in accordance with AS4801:2001 and in line with best practice of a water service provider.
- Compliance with environmental obligations and the reporting requirements of the Resource Operations Licence and the Resource Operations Plan.
- Better integration of functions and processes for GAWB and the usage of standard operating procedures.

## CAPABILITY

- Recruitment of suitable resources and 'capability development' in GAWB operations to continue and improve efficiency.
- Development of electronic data management systems to incorporate GAWB's numerous compliance monitoring and reporting requirements into mainstream work practices including incident and event management, training management and risk management systems.
- Employee satisfaction survey result of 5.1 out of 7 (target at 5.5). The survey showed that during a period of change and increased activity including engagement of a number of new internal resources and the additional demands arising during the QCA Price Investigation process, our employees are very committed to GAWB and achieving outcomes for customers and the community.





## OVERVIEW OF THE YEAR CONTINUED

A snapshot of GAWB's financial position<sup>1</sup> at 30 June 2010 is shown in the table below.

		2010	2009	% change
<b>Profit and Dividend</b>				
Water sales revenue <sup>2</sup>	\$ million	28.2	28.7	(2)
Total revenue	\$ million	28.6	29.2	(2)
Earnings before interest and tax	\$ million	(1.9)	5.8	(305)
Profit/(loss) after tax	\$ million	(7.1)	(1.3)	(538)
Dividends provided	\$ million	0	0	0
<b>Cash Flow</b>				
Cash flows provided by operating activities	\$ million	3.4	3.6	(6)
<b>Balance Sheet</b>				
Total assets	\$ million	421.3	361.2	17
Total equity	\$ million	232.8	192.4	21
Total borrowings	\$ million	139.7	135.0	3

<sup>1</sup> Includes revaluation surplus and impairment loss

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

GAWB's actual performance in 2009/10 is set out in the table 1 below with comparisons against KPI targets set out in the Performance Plan 2009/10 and results for the 2008/09 year. The financial results for 2009/10 have been significantly impacted by the recognition in the Statement of Comprehensive Income of an impairment loss of \$6.7 million against the intangible asset representing the development costs of the CSS and recognition of an asset revaluation surplus of \$47.445 million for property, plant and equipment.

**GAWB uses key performance indicators (KPIs) to assist it to monitor the efficiency and effectiveness of its operations. GAWB considers relevant industry benchmarks in the formulation of these KPIs. Headline KPI outcomes are reported below.**

		Twelve Months Ended 30 June		
		2010		2009
		Actual	Target	Actual
<b>Headline KPIs</b>				
<b>Meeting Water Needs</b>				
<b>Water Demand</b>				
Variation actual and regulatory forecast demand	%	-6.2%	+/- 10%	-13%
<b>Water Supply</b>				
<b>Sufficiency</b>				
% Preparedness for Large Scale Augmentation	%	90%	100%	New Measure
% Preparedness for Small Scale Augmentation	%	24%	25%	New Measure
<b>Water Quality</b>				
Treated water fitness to drink <sup>1</sup>	%	100%	100%	99.6%
<b>Cost/Efficiency</b>				
CAPEX Spend on all Projects <sup>2</sup>	\$	\$8.971M	\$14.416M	\$19.927M





## OVERVIEW OF THE YEAR CONTINUED

### **Commercial Outcomes**

#### **Profitability**

Earnings before interest and tax - EBIT <sup>3</sup>	\$ million	(1.856)	2.422	5.789
Return on Assets <sup>3</sup>	%	-0.5%	0.70	1.0%
Operating expenditure v Budget	%	90	<100%	126%
Cash from Operations – excess before interest	\$ million	11.785	7.247	14.377

#### **Corporate Citizenship**

##### **Safety**

Lost time injuries	No.	Nil	≤2	2
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##### **Environmental Responsibility**

Compliance with environmental legislation and standards – No. breach notices received	No.	Nil	Nil	Nil
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##### **Capability**

Percentage of Headline KPI's achieved	%	55%	100%	25%
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- In 2009/2010 the number of tests being completed increased significantly from prior years. There were 2 non-complying results in 2009/2010 which were mitigated through further testing and investigation. In 2008/2009 the 2 non-complying results were mitigated through further testing and investigation. In 2009/2010 there has been a decrease in the number of non complying tests.*
- The planned 2009/2010 CAPEX program included 50 projects. This includes the gross expenditure incurred on the GFP which has been recorded as an intangible asset – refer Note 8 of Financial Statements. 14 of the planned projects were completed (28%), 25 (50%) of the projects were in progress and will be carried over to 2010/11 program, 5 (10%) were deferred to future years and 6 (12%) were cancelled due to improved scoping or other works rectifying the need for capital expenditure. A further 24 projects were brought forward from the prior year (21 of which were completed) and 17 additional minor projects were initiated (8 of which were completed).*
- The commercial results for the year are impacted by the recognition of an impairment loss as noted above. The targets reflected in the table were prepared based on no allowance for an impairment or revaluation. The commercial results included in the headline KPI table above include the impact of the impairment and revaluation. The two KPI's i.e. Earnings before Interest and Tax (EBIT) and Return of Assets without including the effect of the impairment and revaluation are shown below against the targets as set for the year.*

		Actual	Target
Earnings before interest and tax - EBIT	\$ million	4.516	2.422
Return on Assets	%	1.25%	0.70



## BOARD OF DIRECTORS PROFILES



### **MARY S. BOYDELL, B. COM., FCA, OF BRISBANE** **CHAIRPERSON**

Appointed to the Board on 29 June 2001, appointed Chairperson from 22 February 2002 and reappointed as Chairperson for a further 3 years from 2 November 2007. She is Chairperson of the Board Audit and Risk Management Committee (ARM). Ms Boydell also serves as Commissioner of the Queensland Water Commission, Director of Energex Limited and Board member of the Commonwealth Scientific and Industrial Research Organisation (CSIRO). Her previous appointments include Chairperson of the Rural Industries Research and Development Corporation, Board Member of the Queensland Bulk Water Supply Authority and Director of 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 (Chairman for 2008).



### **CR. CRAIG W. BUTLER, OF TARGINNIE**

Appointed a Director on 17 September 2004, Cr Butler is one of the four GRC nominees appointed to the Board. Cr Butler's appointment was extended at the end of the 4-year term until 16 September 2010. He was a member of the Calliope Shire Council from 1997 up to the Local Government amalgamation and was elected as a Councillor of the Gladstone Regional Council (GRC) in March 2008. Cr Butler was appointed as a member of the Board's ARM committee and CWT Committee on 28 August 2008. He is vice president of the Central Queensland Local Government Association and a member of the Central Queensland Waste Committee. He is also a management committee member of the Capricorn Pest Management Group. Cr 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.



### **PETER CORONES, AM, OF GLADSTONE**

A Director since 1995 prior to GAWB's commercialisation in 2000, Mr Corones was reappointed for a further 4 years on 17 September 2004 with this term of appointment continuing until he retired on 14 August 2009. During this period he was the Chair of the Board's Nomination and Remuneration Committee (NRM). Mr Corones has over 20 years experience in local government and in 2008 retired after two terms as Councillor and four terms as Mayor of Gladstone. A business proprietor and company Director for some thirty years, he has a long track record of extensive business and community involvement. He is a member of the Gladstone Economic and Industry Development Board, a Director of Gladstone Ports Corporation and a member of the Central Queensland University Gladstone Advisory Committee. Peter was awarded Member, General Division of the Order of Australia (AM) in January 2009.



### **WARREN DINTE, FAICD, JP (COMM. DEC.), OF CALLIOPE**

A member of the Board since 1997 prior to GAWB's commercialisation in 2000, Mr Dinte was reappointed for a further 4 years on 17 September 2004. At the end of this term his appointment was further extended from 14 August 2009 to 16 September 2010. He was a member of Calliope Shire Council from 1991 up to the March 2008 Local Government amalgamation. He was appointed as a member of the Capital Works and Technical Committee (CWT) on 28 August 2008. Owner of a small business for 30 years until his retirement, Mr Dinte has extensive experience as secretary or member of Statutory Authorities. Mr Dinte is one of the four GRC nominees appointed to the Board.





## BOARD OF DIRECTORS PROFILES CONTINUED



### **ROWENA MCNALLY, LLB, MAICD, AFAIM, OF BRISBANE**

Appointed to the Board on 2 November 2007 for a term up to 16 September 2009, Ms McNally is the Chairperson of Mount Isa Water Board and the Cerebral Palsy League of Queensland. Ms McNally has been a corporate lawyer for over 15 years and is a member of various legal and other committees. Ms McNally resigned as a Director of the Board on 4 June 2010.



### **JOHN J MULHERON, B. E. (CIVIL), GRAD. DIP. BUS. ADMIN., OF BRISBANE**

Appointed a Director on 15 December 2000 and reappointed from 30 March 2007 up to and including 16 September 2009 he was reappointed to this position until 30 June 2012. He is currently the Chairperson of the Board's CWT Committee and is a member of the Board NRM Committee. Mr Mulheron is a water industry consultant and is a former career public servant and Coordinator – General in the Queensland Premier's Department.



### **CR. GAIL M. SELLERS, B. ED, GRAD. DIP. T. LIB., OF GLADSTONE**

Appointed to the Board on 17 September 2004 for a four year term up to and including 16 September 2008 and reappointed for a further period to 16 September 2010. She is one of the Gladstone City Council's four nominees appointed to the Board. Cr. Sellers was appointed as the Chairperson of the Board's Nomination and Remuneration Committee with effect from 15 October 2009. She was a member of the Gladstone City Council from 1988 and Deputy Mayor of Gladstone from 1997 up to the amalgamation process in March 2008. She was elected as a councillor for the GRC and is Deputy Mayor of the GRC. She was a part-time Teacher Librarian however has taken some extended leave to concentrate on representing the constituents of the GRC.



### **CR. CLYDE CAMERON, OF CALLIOPE**

Appointed a Director on 14 August 2009, Cr. Cameron is a Councillor of the Gladstone Regional Council (GRC) since March 2008, previously serving as Councillor with the former Calliope Shire Council since March 2004. During the year he was appointed as a member of the Board's Nomination and Remuneration Committee. Cr. 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 and Deputy Chairman of the Capricorn Pest Management Group. Cr Cameron is one of the four GRC nominees appointed to the Board



### **AMELIA HODGE, LLB, GRAD. CERT. OF PROPERTY ECON., OF ST. LUCIA**

Appointed a Director on 16 July 2010, Ms. Hodge is a member of the Great Artesian Basin Advisory Council and undertaking the role of Planning Director for the Academic and Research Centre to be developed at Sunshine Coast University Hospital. Amelia is a Principal at Coffey Commercial Advisory where she has been employed since June 2006 and prior to that worked in the Sustainable Industries Division of the EPA. She has previously held her own private legal practice specialising in areas of Property and Commercial law and is a member of several professional infrastructure associations. Amelia has also completed the Harvard University Kennedy School of Government Infrastructure and the Market Economy Executive Program.



## BOARD OF DIRECTORS PROFILES CONTINUED

The number of meetings of the Board and its standing committees attended by each Director during the 2009/10 financial year is set out below.

<b>Board Meetings</b>			
<b>Director</b>	<b>No. of Meetings Attended</b>	<b>No. of Meetings Held</b>	
Ms M.S. Boydell	20	20	
Cr. C. Butler	16	20	
Cr C. Cameron	17	17	
Mr P. Corones	2	3	
Mr W. Dinte	20	20	
Ms R. McNally	11	19	
Mr J.J. Mulheron	18	20	
Cr. G. Sellers	20	20	

<b>Director</b>	<b>Audit &amp; Risk Management Committee Meetings</b>		<b>Remuneration &amp; Nomination Committee Meetings</b>		<b>Capital Works &amp; Technical Committee Meetings</b>	
	<b>No. of Meetings Attended</b>	<b>No. of Meetings Held</b>	<b>No. of Meetings Attended</b>	<b>No. of Meetings Held</b>	<b>No. of Meetings Attended</b>	<b>No. of Meetings Held</b>
Ms M.S. Boydell	5	5	-	-	-	-
Cr. C. Butler	4	5	-	-	5	6
Cr C. Cameron	-	-	4	4	-	-
Mr P. Corones	-	-	1	1	-	-
Mr W. Dinte	-	-	-	-	6	6
Ms R. McNally	4	5	-	-	-	-
Mr J.J. Mulheron	-	-	5	5	6	6
Cr. G. Sellers	-	-	5	5	-	-



The Board formed a special purpose sub-committee to assist it in the proposed sale of land at Eastern Boyne. This committee met on one occasion in May 2010 and comprised of Ms Boydell, Cr Craig Butler and Cr Clyde Cameron.



# DIRECTORS' REVIEW

## MEETING WATER NEEDS

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

### WATER PLANNING

Integral to GAWB's planning function is the five-yearly preparation of a *Strategic Water Plan (SWP)*. GAWB has actively pursued the objectives of the SWP released in November 2004 through the deployment of its CSS, its ongoing program of works and its focus on the security and reliability of its water supply network – from source to customers. These objectives were to:

- determine whether there is sufficient water to meet the short and long-term needs of the Gladstone region;
- establish opportunities to efficiently improve utilisation of the current water supply;
- determine whether the current water supply is sufficiently reliable and secure;
- propose preferred viable options for the short and long-term to provide future water capacity; and
- articulate possible options to further enhance the security and reliability of the region's water supply.

A review and update of the SWP will be completed by GAWB during the 2010/11 year.

GAWB must be well positioned strategically to provide commercial solutions to maintain 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 a 24/7 water supply. The successful management of this demand is dependent on GAWB's sustainable management of its current water source and its capability to maintain supply and strategically augment this capacity when required.

GAWB has continued the GFP preparatory activities during the year to gain access to the 30,000 ML reservation from the Lower Fitzroy River (approximately 120km north of Gladstone) as formalised in the CQRWSS under the Fitzroy Basin Resource Operations Plan 2004. The Transition and Management (TAM) stage of the GFP preparatory works continued with the focus of the TAM to ensure that GAWB's investment in the preparatory stage work is maintained in readiness for when the two year pipeline construction is triggered to meet the Gladstone Region's water needs.

In order to meet the goals and objectives outlined above the following activities were progressed and achieved during the 2009/10 year:

- Continued liaison and working with DIP over the SGIC/GSDA baseline infrastructure and possible construction protocols, licence and access requirements of construction and operational purposes.
- Ongoing and continued negotiations for the acquisitions of all key sites for project infrastructure including the intake pumping station, pipeline easements, water treatment plant, booster pumping station and reservoirs as part of the preparatory works for the GFP.
- On going cultural heritage surveys along the proposed pipeline route for the purpose of preparing the Cultural Heritage Management Plan for each area of interest for each aboriginal group.
- Progressing the negotiations of the construction contract for the pipeline with the contractor subject to and exercisable by GAWB, conditions precedent such as triggers for construction and government approvals occurring.





## DIRECTORS' REVIEW CONTINUED

Regardless of when augmentation is required, possessing the ability to quickly and efficiently respond to drought or demand in a very real way, improves the current security of GAWB's water supply to its customers. By the end of calendar year 2010, GAWB expects to have attained the ability to respond to drought or demand triggers when they arise and be able to efficiently construct the GFP within 24 months of such a trigger arising.

Of critical importance to GAWB was the delivery of appropriate outcomes through the 2010 Price Reset investigation process undertaken by the QCA during the year. These outcomes will result in GAWB being able to deliver the financial performance permitted by the regulatory model in future years including appropriate allowances for efficient operating expenditure, reasonable demand forecasts and price recovery of strategic planning and readiness costs such as the CSS (includes GFP, LFRIP and Desalination investigations). The final report was issued in July 2010 and some of the QCA Price reset recommendations include specific reference to recovery of CSS costs. These findings will require GAWB to refine its approach to the delivery of the strategic intent of the CSS with the overriding and compelling requirement being retention of GAWB's 'preparedness to respond' to drought or demand triggers.

GAWB aims to balance its commercial objective of generating a commercial rate of return on the assets employed in its business (and achieving an appropriate level of revenue certainty) with the objective of ensuring the responsible use and management of the scarce water resource. GAWB recognises that, as the price for the supply of its water is reflective of the cost of infrastructure that it owns and utilises in its operations, its investment decisions must demonstrate value for money as assessed relative to the requirements of GAWB's present and future customers.

GAWB believes the approach outlined above as part of water planning provides a least cost effective risk mitigation strategy for its customers, the State, the community and GAWB.

### WATER AVAILABILITY

The Central Queensland region experienced significant rainfall at the start of the 2010 year. As a consequence strong inflows into the Awoonga Dam catchment increased the storage capacity to over 93% resulting in the highest recorded level to date at 39.21 metres Australian Height Datum (AHD), corresponding to a storage volume of 724,572ML.

The water level at Awoonga Dam at 1 July 2009 was 33.35 metres AHD which corresponds to a storage volume of 411,318 ML (52.9% of capacity). At 30 June 2010 storage height was at 38.84 metres AHD, which corresponds to a storage volume of 701,308 ML (90.22% of capacity). The lowest the level reached during the year was 32.08 metres AHD, a storage volume of 358,384 ML (46.21% of capacity) in December 2009.

Future dam levels and storage capacities can be simulated using GAWB's AWSIM-D water storage model, using various inflow and demand scenarios. This has extended GAWB's capability to determine when water restrictions will need to be implemented, and when major system augmentations are required to supply new demand or respond to drought conditions. This modelling capacity assists GAWB to ensure a secure water source for current and future customers.

Having regard to the consequences of failure of supply, GAWB continually monitors the assumptions and inputs and reviews the updated outputs from its modelling.

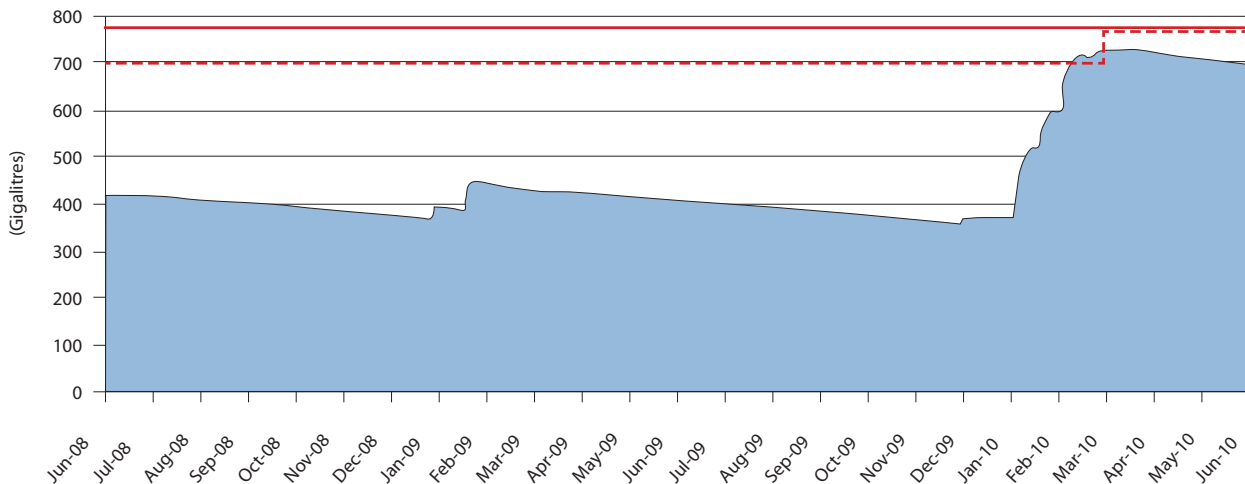






## DIRECTORS' REVIEW CONTINUED

The graph below depicts the Awoonga Dam storage volume movement for the period July 2008 to June 2010. The dotted line represents the current notional yield available to GAWB and the full red line reflects the full allocation available under the Water Resource (Boyne River Basin) Plan 2000 the Resource Operations Licence once the storage has filled for the first time.



The table prepared at 31 August provides an historical comparison of impact of inflow events and the previous high level recorded.

**Historical Storage Levels**

Storage Level	Date	Level (m AHD)	Volume (ML)	Capacity (%)	Surface Area (ha)
Current	31-Aug-10	38.67	690,075	88.84	6,261
End of Financial Year	30-Jun-10	38.84	701,308	90.22	6,325
Level One Year Ago	31-Aug-09	32.96	394,481	50.78	4,155
Level Two Years Ago	31-Aug-08	33.29	408,354	52.57	4,249
Lowest Level					
#Pre Cyclone Beni	4-Feb-03	20.84	57,803	7.44	1,298
#Post Cyclone Beni	16-Mar-03	34.96	484,074	62.31	4,842
Highest Level	01-Apr-10	39.21	724,527	93.26	6,466

## WATER QUALITY

Compliance monitoring is a requirement of GAWB's Environmental Licence and GAWB's Resource Operating Licence (ROL). GAWB currently holds a Drinking Water Service Provider Monitoring and Reporting Requirement Notice which is effective until an approved Drinking Water Quality Management Plan is in place. 2009/10 saw the successful development and implementation of internal resources for GAWB to complete this verification monitoring in-house, a function previously outsourced. This has resulted in greater control of quality and risk in GAWB's environmental and drinking water compliance monitoring programme.



## DIRECTORS' REVIEW CONTINUED

GAWB continues to monitor the quality of potential alternative water sources, including Fitzroy River water as part of the GFP and LFRIP components of the CSS. In addition, in 2009/10 GAWB began to gather baseline data within the Port Curtis Bay area to assist with assessing the potential location and the development of the design of a desalination plant.

A water quality risk assessment methodology has been developed consistent with the Australian Drinking Water Guidelines 2004 and the requirements of the Drinking Water Quality Management Plans required under the *Water Supply (Safety & Reliability) Act 2008*. The risk assessment comprehensively addresses risks to drinking water quality from the catchment through to the consumer's taps. The Drinking Water Quality Management Plans are currently in the drafting and planning phase so as to meet the July 2011 regulatory deadline.

The relocation of some scientific staff to the main treatment plant has optimised the natural synergies between water, the treatment plant operations and water sciences to help drive improvements in the treatment processes.

GAWB successfully implemented fluoridation at both of its treatment plants in the second quarter of 2009/10, in accordance with the *Water Fluoridation Act 2008*. Control of the fluoridation dosing systems has been very good since commissioning with only minor issues encountered and promptly responded to as necessary.

### OPERATIONS AND ASSET MANAGEMENT

GAWB focused upon methods to improve the effectiveness and efficiency of its water treatment and delivery processes to reach best practice. The review of various service delivery options to achieve greater value for the business as well as the improved use of technology to achieve efficient and effective operation of the distribution network resulted in the upgrade of the telemetry and SCADA system. This upgrade has provided GAWB with the capability to deliver an information data highway that links all GAWB's operational infrastructure.

The ongoing review of GAWB's operational maintenance practices led to some alteration of GAWB's operation and maintenance strategy and has resulted in each facility being managed in accordance with an explicit assessment of the risk the facility poses to the achievement of GAWB's business goals and objectives. This has further led to an increased utilisation of programs of condition monitoring for some critical assets and the tighter specification of operating and maintenance practices.

GAWB continued to improve the definition of its operational requirements to support and manage the delivery of operations and maintenance. The Board considered the most efficient method of service delivery to meet GAWB's requirements was to in-source water treatment plant operations. The in-sourcing commenced 1 July 2009. Further review has been undertaken during 2009/10 to determine the efficiencies of in house operations of electrical and mechanical requirements. Following market testing and assessment of appropriate resources, in-sourced electrical and mechanical maintenance services have been implemented as the most efficient mode of maintenance delivery.



For the purpose of the 2010 Pricing Practices Investigation, GAWB engaged a number of consultants for the purpose of benchmarking the service delivery model, GAWB's capability and resource requirements. The outcome of this process provided confidence in the current operational model and resource level and assisted in the justification of what GAWB considers efficient and effective operational expenditure.



## DIRECTORS' REVIEW CONTINUED

### COMMERCIAL RESULTS

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

#### FINANCIAL

GAWB incurred an operating loss of \$7.056 million after tax equivalents for the year ended 30 June 2010 (2009 loss \$1.327 million).

Full year sales totalled \$28.151 million (47,188 ML) being 2% lower than the \$28.719 million (45,867 ML) in sales for 2009. The overall level of sales revenue was higher than the target for the year of \$26.388 million (48,811 ML).

Net cash generated by operating activities totalled \$3.441 million, (2009 \$3.626 million). Overall GAWB's cash position was drawn down by \$2.121 to \$8.508 million reflecting decisions to fund Capex from cash holdings rather than borrowings.

Capital expenditure (excluding CSS) for the year was \$6.546 million, principally in relation to refurbishment of Fitzsimmons Street reservoir, completion of High Voltage Upgrade at Awoonga Dam and fluoridation installation.

Total equity has increased by 21% to \$232.823 million at 30 June 2010 (\$192.433 million at 30 June 2009). Additional borrowings of \$8.4 million were drawn down during the year and repayments amounted to \$3.7 million. Consequently GAWB's debt/equity ratio has decreased from 41% at 30 June 2009 to 37% at 30 June 2010.

GAWB has recommended that no dividends be paid for the year ended 30 June 2010.

#### 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 QCA from its Investigations and accepted by the QCA Ministers. On 2 July 2010, the QCA issued its final report into the investigation of GAWB's pricing practices to apply from 1 July 2010. The recommendations outlined in the report, once accepted by the QCA Ministers, will be incorporated into GAWB's standard form contract as applicable from 1 July 2010.

As a result of the timing of the 2010 price review, the QCA's Part (c) investigation for GAWB's contingent supply strategy was put on hold. GAWB made its submission to the QCA in relation to this investigation in June 2009. The purpose of the investigation is to deal with GAWB's proposed changes to pricing practices required to enable GAWB to recover its efficient costs of the system as appropriately augmented. GAWB will be now seeking to conclude this investigation.





## DIRECTORS' REVIEW CONTINUED

### CORPORATE CITIZENSHIP

**Goal: To be regarded as a responsible corporate citizen.**

GAWB has continued to provide recreational facilities including lookouts, picnic areas and boat ramps at Lake Awoonga for recreational use and enjoyment by the community. During the year GAWB continued to maintain the facilities and equipment to the standard expected of a responsible corporate citizen. For a nominal fee GAWB leases land to the Scout Association and Gladstone Bowhunters.

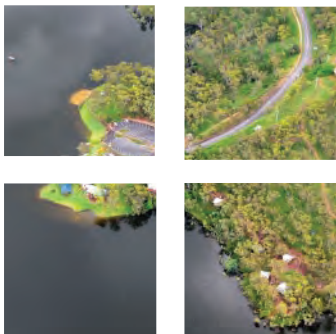
GAWB's Fish Hatchery in Gladstone had a productive year with 260,000 Barramundi fingerlings ranging from 55mm to 120mm in length released into Lake Awoonga. GAWB acknowledges the ongoing support from the Gladstone Ports Corporation Limited which provides the facilities at Lord Street to GAWB at no cost.

Expenditure on activities of a "good corporate citizen" nature during the 2009/2010 financial year principally comprised sponsorships of community activities in the Gladstone Region amounting to \$17,258. The major component of monies expended included sponsorship of the Seafood Festival Sponsorship (\$9,000 not including corporate hospitality and entertainment costs). Other minor commitments included sponsorship for the Gladstone Region Economic Development Strategy, Pest and Animal Symposium and Gladstone Management Excellence Awards.

GAWB continues to be a member of Gladstone Area Promotion and Development Ltd (GAPDL). GAWB is a sponsoring member of the Port Curtis Integrated Monitoring Program (PCIMP) which is co-ordinated by the Central Queensland University Centre for Environmental Management (Cost of \$25,925). GAWB is also represented on the Boyne/Calliope sub-committee of the Fitzroy Basin Association (FBA), the Capricorn Pest Management Group and is represented by its Chief Executive Officer on Gladstone Economic Industry and Development Board (GEIDB).

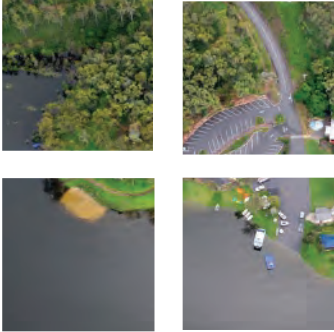
GAWB is committed to ensuring a safe workplace. It relies on both employees and contractors to perform a substantial element of its operational activities, which must be carried out in a manner that ensures all activities are safe and thus it looks to improve the shared understanding of its safety practices and the obligations imposed by Workplace Health and Safety legislation. This understanding extends to the associated responsibilities imposed by the *Workplace Health and Safety - Act 1995 (Qld)*, *Electrical Safety Act 2002 (Qld)* and *Environmental Protection Act 1994 (Qld)*. GAWB's reporting and monitoring of safety incidents is in accordance with AS4801:2001 and in line with best practice of a water service provider.

GAWB has a full time Safety Supervisor who is responsible for ensuring compliance with the legislated safety obligations and who regularly engages with management, staff and contractors on safety issues. An annual management review is undertaken to inform the Management Team of the systems performance and monitoring and developing targets including both positive and negative performance indicators. Typical indicators included in the review are percentage training completed, testing of emergency controls, and specified procedural reviews along with the standard injury statistics. Ongoing audits of operating procedures are conducted and regular training of all staff in safety procedures is undertaken.





## DIRECTORS' REVIEW CONTINUED



### CAPABILITY

**Goal: To ensure the organisation has the ability to carry out its mission.**

#### CORPORATE GOVERNANCE, PLANNING AND REPORTING

GAWB's draft Corporate Plan 2009/10 – 2013/14 and Performance Plan 2009/10 were submitted to the Minister at the beginning of May 2009 and the final plans were agreed between GAWB and the Minister in June 2009. These plans outlined GAWB's priorities including:

- Ensuring the reliability and quality of the supply of water to customers.
- Gaining access to the 30,000 ML reserved under the CQRWSS from the Fitzroy River with continued involvement in the LFRIP and progressing the GFP preparatory works.
- Delivery of appropriate outcomes from the 2010 QCA Price Reset Process.
- Continuing to develop business and information systems that are relied upon to ensure that GAWB operations are undertaken as efficiently and safely as is reasonably possible.
- Implementing the agreed operations and maintenance service delivery model.

#### LAND MANAGEMENT

GAWB owns in excess of 26,000 hectares of land in the Boyne Catchment; is trustee for a further 863 hectares of State Reserves and is lessee for over 1,400 hectares of State leasehold land. The total amount of land owned/managed includes inundated land.

GAWB continues to use best land management practice for grazing, weed and pest animal control along with fire management and works closely with neighbours, agistees, GRC and Fitzroy Basin Association on matters associated with such.

#### DIRECTIONS, NOTICES AND OTHER STATUTORY REQUIREMENTS

During the year ended 30 June 2010:

- There were no amendments to GAWB's Performance Plan.
- GAWB did not receive any directions, including any community service obligations.
- There were no changes to GAWB's Performance Plan that affected its financial performance.

#### EXPENDITURE ON CONSULTANCIES IN 2009/10 COMPRISED:

Category	Unit	2009/10
<b>Management</b>		
Engineering	\$000's	\$361
Total		<b>\$361</b>
<b>Finance/Accounting</b>		
Regulatory Service Fee	\$000's	\$101
Pricing	\$000's	\$340
Total Consultancies Expenditure		<b>\$802</b>
<b>Consultancies awarded by Value</b>		<b>No.</b>
Less than \$10,000		2
\$10,001 - \$100,000		10
More than \$100,000		2
Total		<b>14</b>



## GOALS FOR 2010-2011



In carrying out its functions GAWB has identified four key interlinked business goals which define excellence for GAWB as a water business. GAWB aims to manage its business so as to achieve the best possible balance of these goals.

### **The four primary business goals are:**

#### 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 CITIZENSHIP

To be regarded as a responsible corporate citizen.

#### CAPABILITY

To plan, develop and manage resources to support sustainable outcomes.

Each of the four primary business goals are supported by a number of key performance measures and business improvement projects and initiatives that are set out in GAWB's 2010/11 Performance Plan.

A number of the projects were the focus of improvement in the 2009/10 year and progress against these has been provided throughout this annual report. These key business improvements including Dam Safety, additional in system storage requirements and water quality testing will be progressed in 2010/11 and reported in GAWB's 2010/11 quarterly reports by reference to milestones articulated in the individual project plans. Other key initiatives for 2010/2011 include review and update of the Strategic Water Plan (SWP), renewal of ROP and ROL, review and improvement of Strategic Asset Management Plan (SAMP) and improved Asset Management Systems (AMS).

GAWB's principal function is the storage, management and supply of water to local authorities and major industrial customers. Environmentally, this necessitates taking measures to monitor and manage the quality of present and future water supplies.

The Pricing Practices Investigation undertaken by the QCA during 2009/10 delivered a number of appropriate outcomes for the continued efficient operations of GAWB. GAWB plans to review the allowable operating costs provided by the QCA and compare them to the original expenditure submissions provided to identify and target potential efficiency gains in operating costs where possible. It is considered that the QCA's recommendations provide GAWB with the ability to generate funding necessary to meet the water supply needs of customers and the region balanced with achieving financial sustainability through earning its regulatory rate of return.

GAWB will submit a revised 2010/2011 Performance Plan and 2010/2011 – 2014/2015 Corporate Plan to the Minister for approval after the QCA Ministers have accepted the recommendations in the QCA 2010 Pricing Practices Investigation.

GAWB and GRC will work with the proponents of the LNG Plants planned for Curtis Island to provide advice concerning the provision of water and sewerage services. It is understood this advice will be used to support informed assessment of the feasibility of the providing water and sewerage services from the mainland to the LNG plants proposed locations on Curtis Island.





## QUALITY AND ENVIRONMENTAL AND SAFETY MANAGEMENT SYSTEMS

GAWB has maintained certification of its Quality Management Systems (AS/NZS ISO 9001:2008), Environmental Management Systems (AS/NZS ISO 14001:2004) and Safety Management System (AS/NZS 4801:2001). All three management systems are fully integrated and allow GAWB to better manage risks associated with its operations.

## RESOURCE OPERATING PLAN (ROP)

The *Water Resource (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 Basin Resource Operations Plan 2003 (ROP)*. Under the Boyne River ROP GAWB was issued with a Resource Operations Licence (ROL), operating rules for Awoonga Dam, an allocation of 78,000 ML p.a. (constrained to a notional yield of approximately 76,000 ML p.a. until the dam fills for the first time) and a water and aquatic ecosystem monitoring program.

In 2010 GAWB will finalise its preparations for the review of the WRP by the regulator, the Department of Environment and Resource Management (DERM), which is due in 2011. This process is expected to result in the renewal of the Boyne River ROP and GAWB's ROL, both of which are critical for ensuring that GAWB has certainty for the continuation of its water allocation beyond the current expiry date on 1 September 2011.

As a ROL holder under the ROP, GAWB is required to implement water monitoring and natural ecosystem monitoring programs. GAWB undertakes extensive water quantity and quality monitoring programs in the streams leading into Lake Awoonga, in the lake itself, at the intake to the pump stations, downstream of the dam and throughout the treatment and delivery network. The information obtained through this monitoring regime provides critical data for assessing and understanding the quality and quantity of the water supply available to customers. The data is also used to inform GAWB's water release obligations under the operating rules of the ROP.

Commencing 1 February 2010 Lake Awoonga received sporadic inflow of greater than 3,210ML/day for four or more consecutive days (ROP Trigger Release Rule) in three separate events. The duration of these three events amounted to 28 days and the inflow volume for the 28 days was 358,354ML.

The ROP required the release of at least 3,210ML per day for the trigger release period i.e.  $3,210\text{ML} \times 28 \text{ days} = 89,880\text{ML}$ . Subsequently, GAWB released approximately 89,944ML in accordance with the ROP rule.

Immediately following the termination of the trigger release GAWB reinstated the base flow release. The base flow monthly maximum volumes are derived from statistics of daily inflows into Awoonga Dam and total approximately 11,860ML/year (for any week on which the stream flow into the dam is less than the monthly maximum volume then the equivalent volume of the stream flow (multiplied by a factor of 1.64 to account for unmetred tributaries) is to be released.

GAWB released approximately 95,000ML for the environment (Base flow plus trigger flow volumes for the 2009/2010 financial year) in accordance with the provisions of the Water Resource Plan 2000 with the balance of the trigger releases to be completed early in July 2010 due to the operational limitations of the infrastructure utilised to meet the release requirements.

As required, four quarterly data transfer reports were submitted to DERM and an annual report in September 2009.



## ENVIRONMENTAL ACTIVITIES

GAWB has in place an extensive water quality and aquatic ecosystem monitoring program to assess ecosystem health in relation to GAWB's activities.

During 2009/10 GAWB continued with the Vegetation Regeneration Plan. This plan aims to regenerate and protect 300 hectares of land classified as previously supporting endangered ecosystems. Reports from the Horticulture and Forestry Research section of the Department of Primary Industries and Fisheries show the project has progressed well with excellent survival and growth rates being achieved. Flora and fauna surveys have been conducted to confirm the increasing diversity and habitat complexity of the sites over time.

GAWB recycles paper via the Endeavour Foundation who provide confidential document destruction services to our Goonoon Street office and more recently the Gladstone Water Treatment Plant. GAWB complies with legislative requirements on movement of traceable wastes (Part 4 of Environmental Protection (Waste Management) Regulation 2000).

GAWB is committed to reducing pollutants, protecting the natural environment and reducing its carbon footprint. This includes implementing the *Strategic Energy Efficiency Policy* for Queensland Government Buildings, 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 participates in the Greenfleet program for the offset of emissions from GAWB vehicle fleet along with contributing to a carbon offset levy with the purchase of any air fares via its travel consulting agency. This results in GAWB being carbon neutral with regard to its vehicle and travel requirements. GAWB is investigating the development a greenhouse emissions reporting system to ensure readiness with internal, state and federal requirements as its current energy usage (primarily for pumping water requirements) is approaching the 30Tj threshold for reporting under the NGER.

## WATER QUALITY MONITORING PROGRAM

Monitoring water quality in Lake Awoonga and maintaining the appropriate quality standards throughout the distribution system in order to provide water of 'fit for use' quality is one of GAWB's fundamental responsibilities.

GAWB has a comprehensive monitoring program for water quality in Lake Awoonga, which has shown exceedingly good water quality in Awoonga. GAWB monitors aesthetic and health parameters for potable water against the National Health and Medical Research Council's Australian Drinking Water Guidelines. Water quality results and incidents are reported as per the WSSRA, as well as in accordance with GAWB's Performance Plan. GAWB reported two health-related water quality incidents in 2009-10. These incidents were reported to the Office of the Water Supply Regulator, investigated and acted on appropriately. A number of aesthetic non-compliances were also recorded, the majority of which were a marginal deviation from the target dissolved oxygen and pH guideline limits.

GAWB has undertaken several improvement initiatives during 2009-10, including in-sourcing of water treatment plant operations and the water quality monitoring programme. The synergies of these two actions have had a compounding effect in water quality management, driving improvements in responsiveness, communications and accountability.

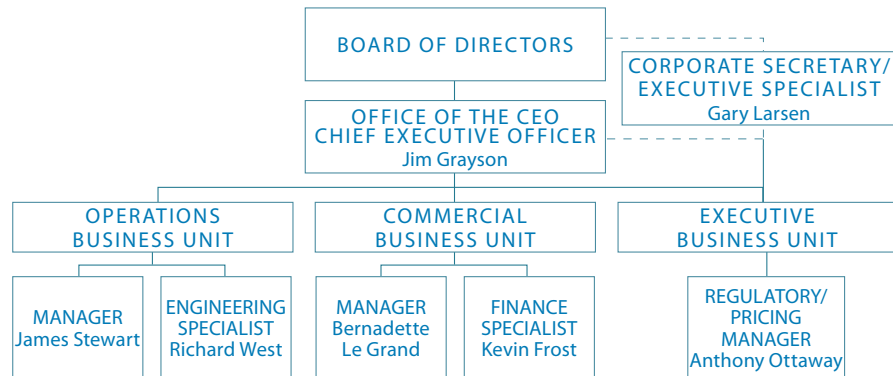
GAWB has made significant progress on its Drinking Water Quality Management Plan, in accordance with the *Water Supply (Safety & Reliability) Regulations 2008* and will meet the requirements to have the plan approved by July 2011.



# EMPLOYEES

GAWB has three business units, namely Office of Chief Executive, Operations and Commercial Business Units.

GAWB's organisational structure as at 30 June 2010 was as follows:



As at 30 June 2010 GAWB employed a total of 60 employees (52 full time equivalents). All employees are engaged under a current employment contract. GAWB continues to review the federal Water Industry Award 2010 and its effect on the current employment arrangements of all staff. Ongoing review of employment contracts and benefits to be provided to all staff is undertaken to ensure compliance with award and industrial relations requirements.

Building capabilities and ensuring adequate resources for the business were key issues and a focus for GAWB's Management during the year. This resulted in a number of additional staff resources appointed during the 2009/10 financial year to ensure critical mass and the capabilities to efficiently deliver the objectives of the business in accordance with the revised operations and maintenance model that had been under review in previous years.

Each additional appointment follows a selection process and position value assessment to ensure appropriate remuneration levels are set and value for money has been obtained in the recruitment. The growth in staff levels is considered to be representative of both a very busy stage in GAWB's development, but also necessary to redress historical levels of understaffing and support delivery of the level of service required by the Gladstone region. GAWB is an equal opportunity employer and each candidate is selected based on appropriateness for the role subject to assessment of qualifications, knowledge and experience as well as assessment of fit within the team environment.

GAWB has a Workplace Health & Safety Committee (which meets six weekly) the principal focus of which is the continuous improvement in risk management strategies and mitigation of identified hazards. GAWB's full time employed Safety Supervisor has the role of developing and managing the safety systems for GAWB.

The proposed LNG plants for the Gladstone region required GAWB to focus on initiatives to ensure staff retention during the period of construction and implementation. GAWB is investigating appropriate employee health and well being initiatives to ensure GAWB remains an employer of choice for existing and potential new employees. Some of the initiatives include accreditation for first aid for all staff which is also considered a worthwhile safety option for the operations of the business and defensive driving/four wheel drive training of which the benefits can be seen in the number of reduced safety incidents and reports relating to vehicle damage in the year.



## CORPORATE MANAGEMENT



**JIM GRAYSON LLB, LLM, ACIS, POST GRAD DIP COMM.**  
**Chief Executive Officer**

Jim was appointed Chief Executive Officer in early 2006, having joined GAWB in 2003. Prior to coming to GAWB Jim worked as a Solicitor in private legal practice and with the Australian Securities and Investments Commission. Jim is a Fellow of the Financial Services Institute of Australia.



**GARY LARSEN (JP QUALIFIED)**  
**Corporate Secretary/Human Resources Manager**

Gary joined GAWB as Corporate Secretary in May 2006. Prior to coming to GAWB, Gary worked as a Salaried Partner in a Gladstone Chartered Accounting Practice. Gary 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.



**ANTHONY OTTAWAY CA B.BUS (ACCT), GRAD CERT FORENSIC STUDIES (ACCT)**  
**Manager: Strategic/Pricing Regulation**

Anthony joined GAWB as the Pricing Officer in June 2008. He has spent a good portion of his working life providing business services advice to small and medium businesses through private sector accounting firms. Anthony entered the commercial sector in August 2006 and was the Finance Manager at Gladstone City Council prior to joining GAWB. Anthony was appointed Strategic Planning and Economic Regulation Manager in April 2010.



**JAMES STEWART B. ENG (MECH) DIP. PROJECT MANAGEMENT**  
**REGISTERED PROFESSIONAL ENGINEER OF QUEENSLAND**  
**Operations Manager**

James joined GAWB as Engineering and Projects Manager in June 2006 and became Operations Manager in December 2008. Prior to joining GAWB, James worked in local process, fabrication and construction industries and consulting engineering services since 1978. His previous involvement with GAWB included the raw water system augmentation and pump station upgrade during 1998 – 2000 and a further upgrade of the pump station in 2001/02.





## CORPORATE MANAGEMENT CONTINUED



### **RICHARD WEST** B. ENG (CIVIL) GRAD DIP. ENGINEERING MAINTENANCE MANAGEMENT

REGISTERED PROFESSIONAL ENGINEER OF QUEENSLAND

#### **Engineering Specialist**

Richard joined GAWB as Engineering Specialist in March 2008. Richard has over 25 years experience in the water industry. His experience 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 SunWater.



### **BERNADETTE LE GRAND** LLB

#### **Commercial Unit Manager**

Bernadette joined GAWB as Corporate Counsel in July 2006 after having worked for many years as a solicitor in private practice, predominately in the fields of commercial and property law and litigation. Bernadette was appointed Commercial Unit Manager in September 2006.



### **KEVIN FROST** CPA B.BUS (ACCT) B.BUS (INFO SYS)

#### **Financial Controller**

Kevin joined GAWB as Financial Controller in April 2007. His previous business experience includes 6 years as Corporate Accountant for a local major mining and civil construction company. Prior to that Kevin worked for the Gladstone City Council in finance and accounting roles.



### **BRETT NICHOLLS**

#### **Land Manager**

As a Queens Scout, Brett has a natural appreciation of the great outdoors. Coupled with his strengths in geography and drafting, Brett pursued a cartographic vocation. Upon graduating, he then progressed his career through the Titles Office and eventually into the administration and management of State land in which Brett held many senior roles and ultimately a state-wide managerial position. After 26 years of service to the State, Brett resigned in 2007 and commenced with GAWB in the newly created position of Land Manager. His primary role is to resolve the land tenure issues associated with Lake Awoonga, which has evolved to encompass cattle agistment, fire and pest management along with all aspects of property maintenance.



# CORPORATE GOVERNANCE



## Features of GAWB's Corporate Governance are:

### BOARD OF DIRECTORS AND ITS COMMITTEES

The Board is responsible for GAWB's overall Corporate Governance including setting its strategic direction, establishing goals for management and monitoring the achievement of those goals. It has established a Nomination and Remuneration Committee (NRM), an Audit & Risk Management Committee (ARM) and Capital Works and Technical Committee (CWT) to assist in the execution of its responsibilities and, where the need arises, constitutes a special purpose committee.

The Board has established a framework for the management of the organisation including an overall framework of internal control, a business risk management process, an assurance program and a code of conduct incorporating appropriate ethical standards.

Each Director has the right to seek independent professional advice at GAWB's expense. The Chairperson's prior consent to the obtaining of such advice is required however consent will not be unreasonably withheld.

### COMPOSITION OF THE BOARD

Details of Directors in office during the 2009/10 year are set out on pages 9 and 10 of the Annual Report. The Act provides for seven Directors appointed for terms of up to four years by the Governor in Council. In accordance with section 599 of the Act, four Directors are nominated by the GRC. The Chief Executive of the Department of Environmental Resource Management nominates the remaining three positions, one of whom 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 the Director continues holding office after the Director's term ends until the Director's 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. This 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 currently has 11 scheduled meetings and meets at such other times as may be necessary to address any specific matters that may arise. The Board met on 20 occasions during the year to consider a number of issues including the QCA Price Reset submissions, various project approvals, remuneration and performance management reviews and the ongoing GFP and LFRIP preparatory works updates.

The agenda for meetings is approved by the Chairperson in consultation with the Chief Executive Officer and the Corporate Secretary. The Chief Executive Officer's Report is a standing item in each agenda. The agenda and board papers are circulated to each board member in advance of each meeting. A variety of representatives of GAWB Management are regularly involved in Board discussions, with Directors also enjoying other opportunities for contact with a wider group of employees.





## CORPORATE GOVERNANCE CONTINUED

The Board continued with its program of site tours to allow it to inspect infrastructure assets, proposed works such as the GFP and any emerging risk issues that have been raised. These tours are held in conjunction with the scheduled meetings with a proposed tour schedule agreed at the beginning of each calendar year. This tour schedule is provided to each Board meeting for the purpose of Board members planning requirements and revision dependent on issues arising during the year.

### NOMINATION & REMUNERATION COMMITTEE (NRM)

At the commencement of the 2009/10 financial year the NRM comprised of, Mr Corones (Chairperson), Cr. Sellers and Mr. Mulheron. In August 2009, the composition of the NRM changed to Cr. Sellers (Chairperson), Mr Mulheron and Cr Cameron. The Board has approved a Charter for the NRM which details the responsibilities of the Committee on matters concerning:

- The employment of the Chief Executive Officer and other senior managers.
- The remuneration of senior managers.
- GAWB's Remuneration Policy.
- Other associated matters.

The NRM meets as required and met on six occasions during the year.

### AUDIT & RISK MANAGEMENT COMMITTEE (ARM)

At the commencement of the 2009/10 financial year the ARM comprised of Ms Boydell (Chairperson), Cr Butler and Ms McNally. The Chief Executive Officer, other senior executives, external auditors and internal auditors are invited to attend ARM meetings at the discretion of the Committee.

The role of the ARM is to assist the Board in discharging its responsibility of oversight and corporate governance of the organisation. The responsibilities of the ARM include:

To assist the Board of Directors to discharge its responsibility to exercise due care, diligence and skill in relation to GAWB's:

- Internal control system.
- Monitoring and controlling of business risk.
- Reporting of financial information to users of financial reports.
- Application of accounting policies.
- Financial management.
- Business policies and practice.
- Protection of GAWB's assets.
- Compliance with applicable laws and regulations.
- To improve the creditability and objectivity of the accountability process.
- To improve the effectiveness of the internal and external audit functions, and the communications between the Board of Directors and external and internal auditors.
- To facilitate the maintenance of the independence and objectivity of internal auditors under the internal audit program.





## CORPORATE GOVERNANCE CONTINUED

The ARM operates pursuant to a formal Charter approved by the Board. This Charter is reviewed on an annual basis to ensure appropriateness and compliance with 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 ARM adopted a three (3) year rolling internal audit program which is annually reviewed for appropriateness.

GAWB employs a risk management system that is based upon the *Australian/New Zealand Risk Standard on Risk Management (AS/NZS 4360:2004)*. 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 GAWB's key goals. A risk review workshop is conducted annually with GAWB's internal auditor and the Business Unit Managers report on the appropriate risks to the Board on a monthly, quarterly and annual basis. The ARM committee is provided with reports of risk assessment and review of corporate risks in accordance with the Board approved Risk management policy and manual.

The ARM is scheduled to meet quarterly and otherwise as required. It met on five occasions throughout the year at which the external auditor attended on three occasions.

### 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 the Board with 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 ARM acts as a forum to oversee the planning, performance and reporting of the Internal Auditor.

The ARM 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 ARM is to oversee 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. Internal Audit activity during the year included a review of capital expenditure, site access, purchasing to payment processes, regulatory and compliance reporting, IT general controls and pricing submission.

The ARM 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 ARM committee on three occasions.

### CAPITAL WORKS AND TECHNICAL COMMITTEE (CWT)

In August 2008 the Board constituted the CWT to operate in accordance with the Charter. The Committee comprises Mr Mulheron (Chairperson), Mr Dinte and Cr Butler.





## CORPORATE GOVERNANCE CONTINUED

The objective of the CWT is to assist the Board to discharge its responsibilities to GAWB by:

- Reviewing project and technical issues and providing advice to the Board.
- Making informed recommendations to the Board relating to matters concerning water quality issues.
- Ensuring appropriate monitoring of the capital works program.
- Oversight of major capitals works projects (e.g. GFP Pipeline).
- Overseeing the Strategic Asset Management Plan (SAMP).
- Considering other operations matters as referred from time to time.

The Committee receives monitors and manages actions arising from external reviews and internal audit findings on processes related to capital works and technical matters e.g. Dam Safety Regulator condition audits, 5 year Dam Safety review and other operational audit reports as they arise.

The CWT met on six occasions throughout the year.

## HUMAN RESOURCES

### RECRUITMENT, SELECTION AND RETENTION

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 & safety and staff remuneration. GAWB promotes the balancing of work and family responsibilities including flexible work hours and the ability to work from home as necessary.

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 both the business' EEO for Women in the Workplace Policy and the Anti-Discrimination & Equal Employment Opportunity Policy.

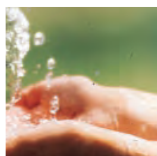
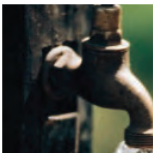
Recruitment and selection decisions are based on the principle of merit. This means that persons will be selected on the basis of whether they have the right skills, qualifications and other talents that are required to do the job. Appointment decisions are not based on irrelevant factors, such as a person's sex, race, disability, age, homosexuality etc, or personal biases or favouritism.

### 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.
- 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 seven grades. All new positions, re-graded positions and staff re-evaluations are independently reviewed by an external specialist.





## CORPORATE GOVERNANCE CONTINUED

Benchmarking employment cost rates is both necessary and appropriate for employment positions that can demand premiums in the Queensland market such as construction and engineering roles. 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 a 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.

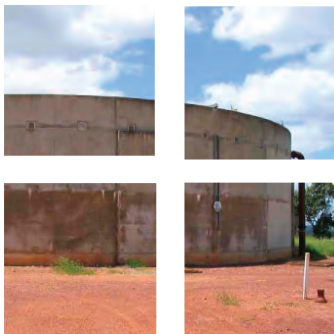
The Board, on the recommendation of the CEO and the NRM, endorses the initial appointment and remuneration of direct reports to the CEO and the remuneration of such employees annually.

The remuneration framework remains current by undertaking an annual review of grade remuneration ranges, including a review by the NRM of the proposed changes to the distribution of pay points in each grade and endorsement by the Board (on the recommendation of the CEO and the NRM) of the aggregate change in staff remuneration resulting from changes to the grade remuneration ranges and changes to each employees remuneration following from their performance assessment.

Remuneration movements at other times or which are above the mid-point of a range require the endorsement of the Board on the recommendation of the CEO and NRM.

GAWB's Senior Management team participates in a Senior Executive Performance Bonus Plan (SEPBP). In the first quarter of each financial year, performance bonus amounts applicable for the previous financial year are proposed by the CEO and recommended to the Board by the NRM. Payments of such bonuses are made subsequent to Board approval.

Details of key management personnel compensation and senior executives' remuneration are disclosed at note 29 to the Financial Statements.



### EARLY RETIREMENT, REDUNDANCY AND RETRENCHMENT

During the 2009/10 year there were no voluntary early retirement packages offered to GAWB's employees and there were no retrenchments or redundancies offered during the year.

### STAFF RETENTION

GAWB achieved a staff retention rate for the year of 88% which is calculated as the percentage of permanent staff at 30 June 2010 divided by the same number of permanent staff at the beginning of the year – 1 July 2009. For clarity, GAWB was able to engage replacement staff for the positions that had been vacated during the year or where necessary as part of the efficiency review for operating expenditure, reshape existing roles to meet the requirements of the business.



## CORPORATE GOVERNANCE CONTINUED

### INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework whilst recognising that no cost effective internal control system is capable of preventing all errors and irregularities.

GAWB has a hierarchy of policies, procedures and guidelines that the Board relies upon to ensure its effective control of the operations to achieve GAWB's key business goals. These are subject to internal audit and review to ensure compliance.

GAWB's organisational structures are designed to provide an appropriate division of responsibility and accountability supported by the appropriate selection and training of qualified personnel to produce the desired outcomes.

### ETHICAL STANDARDS

All Directors, senior executives and other employees are expected to act lawfully, in a professional manner and with the utmost integrity and objectivity in their dealings with customers and consumers, suppliers, advisers and regulators, competitors, the community and each other, striving at all times to enhance GAWB's reputation and performance. GAWB's team values of Professionalism, Accountability, Communication and Trust are aligned to assist in meeting the ethical standard expectation.

### OTHER REPORTING REQUIREMENTS

#### CORPORATE HOSPITALITY AND ENTERTAINMENT EXPENDITURE

During the year the major cost for corporate hospitality and entertainment expenditure was the Gladstone Seafood Festival of which GAWB is the major sponsor. As part of this sponsorship, GAWB invited its key customers and suppliers to a corporate luncheon held during the Seafood Festival. The nature of the function is one of stakeholder relationship development at which GAWB's management team members and the key business contacts for customers and suppliers met to engage with each other during the luncheon.

In addition to the sponsored event, other corporate hospitality and entertainment expenditure included the Board-approved Staff Christmas party which was held on 11 December 2009 and an end of year review of operations and activities at which Board directors and senior executives attended. The costs of these corporate hospitality and entertainment expenditure events are each within the corporate hospitality and entertainment guidelines including within the allowed cost per head in accordance with the Board approved GAWB Hospitality and Entertainment Policy.

#### INFORMATION SYSTEMS AND RECORDKEEPING

Several new IS initiatives were implemented during the year. These included replacement of the PABX system with a *Voice Over IP phone system*, upgrade of the payroll system, implementation of an online Safety incident tracking and reporting register and Training and Skills Management register and the installation of CURA risk management software for recording and tracking of risks.

GAWB has continued to build on the electronic document management record system which was implemented in 2008/09.

#### 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)*.







## CORPORATE GOVERNANCE CONTINUED

### OVERSEAS TRAVEL

During the reporting year GAWB commissioned the design and manufacture of two new high voltage switchboards for the Awoonga Dam pump station to replace the current obsolete equipment. From 6-11 July 2009 GAWB's Electrical Maintenance Supervisor travelled to Indonesia to undertake factory acceptance testing of the 11kv and 3.3kv switchboards prior to their shipment and installation at Awoonga Dam. Costs associated with the travel were \$4,198 and had received approval from the Minister prior to the travel being undertaken.

### PUBLIC SECTOR ETHICS

The GAWB Code of Conduct gives a shared vision of how GAWB's officers and employees should act in an ethical manner when involved in the activities performed by GAWB. The Code is based on five ethical principles and provides that extra guidance needed when trying to decide 'the right thing to do'. Application of these ethical principles assists to further improve GAWB's business and to project an even more positive image of professionalism and integrity to the wider community and to each other.

The Code applies to all GAWB Board members and employees.

### WHISTLEBLOWERS PROTECTION ACT 1994

During the 2009/10 year, GAWB did not receive or refer any disclosures under Section 28A of the *Whistleblowers Protection Act 1994* and was not required or requested to substantially verify any disclosures.

### CARERS (RECOGNITION) ACT 2008

As a Queensland Government Statutory Authority, GAWB has certain obligations under the Carers (Recognition) Act 2008. In discharge of its obligations GAWB has placed on its intranet (which is accessible by all staff) a copy of the Carers Charter as set out in the Schedule to this Act. Additionally, as part of the induction process for all new staff and as part refresher processes for existing staff, GAWB describes its support for the objectives detailed in the Charter. GAWB has various policies which support the objectives detailed in the Charter including its: Parental Leave Policy, Leave Without Pay Policy and Flexibility Policy. During 2010/2011 GAWB plans to develop a specific Carers Policy.

During 2009/10 GAWB did not make strategic policy or planning decisions which it believed would affect carers. Accordingly, it did not consult with any 'carers representative bodies' concerning such matters in this period. In 2010/11 GAWB's internal processes concerning strategic policy and decision making will be revised to include a requirement to record an assessment as to the potential impact upon carers and associated requirement to consult with any 'carers representative bodies'.

### REPORTING TO THE RESPONSIBLE MINISTER

The Board of Directors aims to ensure that the Minister for Natural Resources, Mines and Energy 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 Key Performance Indicators 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 such 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 Key Performance Indicators set out in the Performance Plan and details of future developments.
- The Annual Report is provided to GAWB's Minister within three months of the end of the financial year, and is then laid before 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 Act, *Financial Accountability Act 2009 and Financial and Performance Management Standard 2009*.







## FIVE YEAR SUMMARY<sup>4</sup>

	2006	2007 <sup>3</sup>	2008	2009	2010
(megalitres)					
Water Sales					
Untreated Water	37,336	42,528	37,256	35,872	
Treated Water	10,869	10,785	9,714	9,995	
Total	48,204	53,313	46,970	45,867	
(megalitres)					
Reservation and Storage - Total Demand					47,188
Delivery – Untreated water					17,322
Delivery – Treated water					10,324
Treatment					10,324
(dollars per megalitre)					
Average water price					
Untreated water	349.23	331.35	405.68		
Treated water	773.31	828.03	960.37		
Reservation & Storage <sup>1</sup>				311.40	303.68
Delivery - Untreated water <sup>1</sup>				312.25	320.11
Delivery - Treated water <sup>1</sup>				685.47	428.34
Treatment <sup>2</sup>					347.07
(thousands of dollars)					
Water sales revenue <sup>3</sup>	21,540	23,124	25,018	28,719	28,151
Total revenue	24,722	25,532	25,503	29,157	28,635
Depreciation and amortisation	(6,105)	(6,273)	(5,642)	(6,720)	(6,744)
Earnings before interest and tax	8,763	5,826	7,997	5,789	(1,856)
Profit/<loss> before tax	1,587	(810)	1,323	(1,884)	(10,293)
Income tax <expenses>/benefit	(436)	(140)	40	557	3,237
Profit/<loss> after tax	1,151	(950)	1,363	(1,327)	(7,056)
Total equity	223,354	189,843 <sup>5</sup>	191,187	192,433	232,823
Total assets	407,742	358,990	366,242	361,248	421,257
Borrowings	147,706	142,924	138,805	134,970	139,659
Cash flows from operating activities:					
Cash from operations before tax	9,374	5,885	5,438	6,639	3,200
Income tax <paid>/refunded		292	(265)	(3,013)	241
Cash from operations after tax	9,374	6,177	5,173	3,626	3,441
Cash Flow Capital expenditure	3,709	1,983	18,826 <sup>6</sup>	20,428 <sup>6</sup>	10,251 <sup>7</sup>
(percent)					
Return on equity	0.51	-0.46	0.71	-0.69	-3.32
Debt: equity ratio	40	43	42	41	37
(times)					
Cash Flow Interest cover ratio	1.85	1.63	1.79	1.29	1.37

<sup>1</sup> New metric from 2008/09

<sup>2</sup> New metric from 2009/10

<sup>3</sup> Including connection charges

<sup>4</sup> Comparative figures have, where applicable, been adjusted to place them on a comparable basis with current year figures.

<sup>5</sup> Restated for prior year adjustment

<sup>6</sup> Capital Expenditure includes the gross expenditure incurred on GFP (capitalised as intangible asset – refer Note 8 of Notes to Financial Statements)

<sup>7</sup> Capital Expenditure is net of capital subsidies received and includes gross expenditure incurred on CSS (capitalised as intangible asset - refer Note 8 of Notes to Financial Statements).



## FINANCIAL STATEMENTS

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## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$000	2009 \$000
Revenue	5	28,151	28,719
Other Income	6	484	438
Labour and on costs		(5,626)	(3,974)
Contracted, professional, technical and other services		(5,947)	(4,043)
Consultants		(802)	(1,575)
Depreciation	7	(6,744)	(6,720)
Electricity		(1,274)	(1,002)
Insurance		(577)	(549)
Rates		(326)	(306)
Loss on sale of asset		(25)	(291)
Impairment loss	8	(6,372)	-
Gladstone to Fitzroy Pipeline Project (including CSS)		(121)	(488)
Desalination Feasibility Study		(79)	(351)
Lower Fitzroy Infrastructure		(2)	(2,124)
Other expenses		(2,596)	(1,945)
<b>Results from operating activities</b>		<b>(1,856)</b>	<b>5,789</b>
Financial income	10	179	1,037
Financial expenses	10	(8,616)	(8,710)
<b>Net financing costs</b>		<b>(8,437)</b>	<b>(7,673)</b>
<b>Profit/(loss) before income tax equivalents</b>		<b>(10,293)</b>	<b>(1,884)</b>
Income tax equivalents (expense)/benefit	11	3,237	557
<b>Profit/(loss) for the year</b>		<b>(7,056)</b>	<b>(1,327)</b>
<b>Other comprehensive income</b>			
Increase in asset revaluation surplus	12	47,445	510
Transfer of increments on disposal of assets	12	1	(1)
<b>Total other comprehensive income</b>		<b>47,446</b>	<b>509</b>
<b>Total comprehensive income</b>		<b>40,390</b>	<b>(818)</b>

The notes on pages 34 to 66 are an integral part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Issued Capital \$000	Asset Revaluation surplus \$000	Retained earnings \$000	Total Equity \$000
<b>Balance at 1 July 2008</b>		<b>61,647</b>	<b>116,916</b>	<b>12,624</b>	<b>191,187</b>
Total comprehensive income for the period					
Profit or loss	12			(1,327)	(1,327)
Other comprehensive income					
Increase in asset revaluation surplus	12		510		510
Transfer of increments on disposal of assets	12		(179)	178	(1)
Total comprehensive income for the period			331	(1,149)	(818)
<b>Transactions recorded directly in equity</b>					
Equity contributions	12	2,064			2,064
Total transactions with owners		2,064			2,064
<b>Balance at 30 June 2009</b>		<b>63,711</b>	<b>117,247</b>	<b>11,475</b>	<b>192,433</b>

	Notes	Issued Capital \$000	Asset Revaluation surplus \$000	Retained earnings \$000	Total Equity \$000
<b>Balance at 1 July 2009</b>		<b>63,711</b>	<b>117,247</b>	<b>11,475</b>	<b>192,433</b>
<b>Total comprehensive income for the period</b>					
Profit or loss	12	-	-	(7,056)	(7,056)
Other comprehensive income					
Increase in asset revaluation surplus	12	-	47,445		47,445
Transfer of increments on disposal of assets	12	-	(195)	196	1
Total comprehensive income for the period		-	47,250	(6,860)	40,390
<b>Transactions recorded directly in equity</b>					
Equity contributions		-			-
Total transactions with owners		-			-
<b>Balance at 30 June 2010</b>		<b>63,711</b>	<b>164,497</b>	<b>4,615</b>	<b>232,823</b>

The amounts recognised directly in equity are disclosed net of tax equivalents – see Note 11 for tax equivalent effect.

*The notes on pages 34 to 66 are an integral part of these financial statements.*



STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010

	Notes	2010 \$000	2009 \$000
<b>Current assets</b>			
Cash and cash equivalents	13a	8,508	10,629
Trade and other receivables	14	3,322	5,198
Inventory	15	110	66
Current tax asset	16	-	241
<b>Total current assets</b>		<b>11,940</b>	<b>16,134</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	381,992	315,561
Intangible assets	8	22,174	25,346
Deferred tax assets	23	5,135	4,198
Biological assets	17	17	9
<b>Total non-current assets</b>		<b>409,317</b>	<b>345,114</b>
<b>Total assets</b>		<b>421,257</b>	<b>361,248</b>
<b>Current liabilities</b>			
Trade and other payables	18	3,455	6,004
Loans and borrowings	19	2,916	4,024
Employee benefits	20	576	418
Provisions	21	128	118
Deferred income	22	465	507
<b>Total current liabilities</b>		<b>7,540</b>	<b>11,071</b>
<b>Non-current liabilities</b>			
Loans and borrowings	19	136,743	130,946
Employee benefits	20	128	82
Deferred income	22	11,309	10,388
Deferred tax liabilities	23	32,714	16,328
<b>Total non-current liabilities</b>		<b>180,894</b>	<b>157,744</b>
<b>Total liabilities</b>		<b>188,434</b>	<b>168,815</b>
<b>Net assets</b>		<b>232,823</b>	<b>192,433</b>
<b>Equity</b>			
Issued Capital	12	63,711	63,711
Asset Revaluation surplus	12	164,497	117,247
Retained earnings	12	4,615	11,475
<b>Total Equity</b>		<b>232,823</b>	<b>192,433</b>

The notes on pages 34 to 66 are an integral part of these financial statements.



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$000	2009 \$000
<b>Cash flows from operating activities</b>			
Cash receipts from customers - Water		31,631	29,671
Interest received		179	1,037
Cash payments to suppliers and employees		(19,846)	(15,545)
Borrowing costs paid		(8,701)	(8,775)
		<u>3,263</u>	<u>6,388</u>
GST Paid to the ATO		2,149	2,933
GST Input Tax Credit Received		(2,212)	(2,682)
		<u>(63)</u>	<u>251</u>
Income taxes (paid)/refunded		241	(3,013)
<b>Net cash from operating activities</b>	13b	<u>3,441</u>	<u>3,626</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(8,293)	(9,683)
Acquisition of intangible assets		(3,601)	(10,785)
Proceeds from sale of property, plant and equipment		69	40
Capital subsidies received		1,574	-
<b>Net cash from investing activities</b>		<u>(10,251)</u>	<u>(20,428)</u>
<b>Cash flows from financing activities</b>			
Proceeds from equity contributions		-	2,573
Proceeds from borrowings		8,400	-
Repayment of borrowings		(3,711)	(3,835)
<b>Net cash from financing activities</b>		<u>4,689</u>	<u>(1,262)</u>
<b>Net increase in cash and cash equivalents</b>		<u>(2,121)</u>	<u>(18,064)</u>
Cash and cash equivalents at 1 July		10,629	28,693
<b>Cash and cash equivalents at 30 June</b>	13a	<u>8,508</u>	<u>10,629</u>

The notes on pages 34 to 66 are an integral part of these financial statements.





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

### 1. REPORTING ENTITY

Gladstone Area Water Board ('GAWB') is a statutory body constituted under the *Water Act 2000* and is a Category 1 Water Authority and registered service provider under the Act. GAWB is domiciled in Australia. The address of GAWB's principal place of business is 147 Goondoon Street, Gladstone, Queensland.

### 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 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 31 August 2010.

#### (b) Basis of measurement

The financial report has 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 stated at fair value.

The methods used to measure fair value are discussed further in Note 7.

#### (c) Functional and presentation currency

The financial statements are presented in Australian dollars.

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.

In particular, information about significant areas of estimation uncertainty 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(f) – impairment of assets
- Note 7 – useful lives and revaluation of property, plant and equipment
- Note 8 – useful lives of intangible assets
- Note 20 – employee benefits



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Financial instruments

##### (i) Non-derivative financial instruments

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

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.

For the purposes of the Cash Flow Statement, 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.

Accounting for finance income and expense is discussed in Note 3(k).

*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. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Cash and cash equivalents through profit or loss are measured at fair value, and changes there are recognised in profit or loss.

*Other*

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

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

##### (i) Recognition and measurement

All assets acquired, including property, plant and equipment, are initially recorded at their cost of acquisition 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, and all materials used in construction and direct labour. Assets under construction are recorded at cost and are not depreciable until they are commissioned. The asset recognition threshold is \$5,000.

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

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. 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.

For the 2010 year, GAWB has determined valuations based on the income 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.

### (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.

### (iv) Depreciation

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.

	2010	2009
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

\*Residual values of varying percentages have been adopted for these assets.

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

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Estimates in respect of certain items of plant and equipment were revised in 2005 (see Note 7).

### (c) 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

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.

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

(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

Capitalisation of development expenditure has been determined currently to have expected useful lives of 4 to 10 years but is not yet available for use refer note 8.

**(d) 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.

**(e) Leased assets**

Leased assets in terms of which GAWB 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.

Other leases are operating leases and, except for investment property GAWB leases to 3<sup>rd</sup> parties, the leased assets are not recognised on GAWB's balance sheet. Investment property held under an operating lease is recognised on GAWB's balance sheet at its fair value.

**(f) 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 counterparty'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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Where there is objective evidence that an available for sale financial asset is impaired (such as a significant or prolonged decline in the fair value of an available for sale financial asset) and the previous decline in the fair value of the asset has been recognised in equity the cumulative loss that has been recognised in equity is transferred to 'Provisions for losses on loans and advances and impairment of investment securities' in the statement of comprehensive income. The cumulative loss transferred is the difference between the cost of acquisition and the current fair value of the asset included in equity. When a subsequent event reduces the impairment of an available for sale debt security the impairment loss is reversed through 'Provisions for losses on loans and advances and impairment of investment securities' in the statement of comprehensive income. When a subsequent event reduces the impairment of an available for sale equity instrument the impairment loss is reversed through equity.

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.

### (g) Employee benefits

#### (i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

#### (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 the terms of GAWB's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

#### (iii) 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

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.

### (h) 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.

#### (i) Indigenous Land Use Agreement ("ILUA") provision

The ILUA provision relates to land that was acquired during completion of the Awoonga Dam. The land contained native title and the provision is for the amount agreed to in the independent valuation received at the time.

### (i) Revenue recognition

#### (i) Goods sold

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 sales 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 are recognised when there exists a right to receive.

#### (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.

### (j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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. 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.

### (k) Finance income and expense

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, 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. All borrowing costs are recognised in profit or loss using the effective interest method.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### (l) 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: the initial recognition of goodwill, 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, and differences relating to investment in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. 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.

### (m) 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 taxation authority. 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.

### (n) 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. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report as it is not expected they would have a material effect on the financial report:

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 are applicable for reporting periods commencing on or after 1 January 2013. AASB 9 amends the classification and measurement of financial instruments from the existing four category approach after initial recognition to two categories – either amortised cost or fair value. On initial application of AASB9 all existing financial assets will need to be classified according to the new criteria and such classifications applied retrospectively.

AASB 124 Related Party Disclosures is applicable for reporting periods commencing on or after 1 January 2011. AASB 124 makes amendments to the definition of a related party. GAWB has applied this standard in whole in preparation of these statements.

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### (o) Comparatives

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

### (p) Government Grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and GAWB will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment or the acquisition of intangible assets are deferred and recognised in the statement of comprehensive income systematically over the useful life of the assets.

## 4. DETERMINATION OF FAIR VALUES

A number of GAWB's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (i) Property, plant and equipment

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. The carrying value of the Property, plant and equipment is reduced for any impairment recognised in accordance with AASB 136 Impairment of Assets. For periods 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 approach.

### (ii) 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.

	Notes	2010 \$000	2009 \$000
<b>5. REVENUE</b>			
<b>Revenue from operating activities</b>			
Water Sales		28,151	28,719
Total revenues		<u>28,151</u>	<u>28,719</u>
<b>6. OTHER INCOME</b>			
Lease income, rents and royalties revenue		307	290
Gain on sale of assets		25	21
Other		152	127
		<u>484</u>	<u>438</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### 7. PROPERTY, PLANT AND EQUIPMENT

GAWB's land, buildings & improvements and infrastructure assets are carried at fair value. An income based approach to valuation was undertaken by GAWB 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 9.34% 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 9.48%.
- 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 and 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 \$90.2M 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)(a) of the *Water Act 2000*.

In prior years, the infrastructure assets valuation was based on an independent valuation undertaken by SMEC Australia Limited via a physical valuation as at 30 June 2005. The valuation methodology was based upon the depreciated optimised replacement cost, then rolled forward in each successive period based on capital expenditure and depreciation.

Land and buildings were formally valued as at 30 June 2005 by independent valuers, Herron Todd White Valuers.

#### Impairment

GAWB has determined that its assets form a single cash generating unit. This incorporates the property, plant and equipment and intangibles. In 2007 an impairment loss of \$43,812,514 was recognised in relation to the CGU and was reflected as a reduction in the carrying value of the property, plant and equipment. In the current period, a review of GAWB's pricing practices by the QCA was completed and this revised GAWB's future cash flows. Impairment testing incorporating an assessment of the recoverable value using a value in use approach confirmed the fair value valuation determined using an income approach resulting in an increase in the carrying value of the assets. The pre-tax discount rate applied for this period was 9.525%, previously it was 8.87%. The remaining value of the previously recognised impairment loss was able to be reversed. Refer note 8 for further discussion on impairment.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	Notes	2010 \$000	2009 \$000
<b>7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>			
<b>Land, buildings &amp; improvements</b>			
Land:			
At directors' valuation		9,845	8,759
Buildings & improvements:			
At directors' valuation		13,359	12,237
Accumulated depreciation		(5,690)	(4,802)
Accumulated impairment losses		-	(1,138)
<b>Total land, buildings &amp; improvements</b>		<b>17,514</b>	<b>15,056</b>
<b>Infrastructure assets</b>			
At directors' valuation		434,520	396,682
Accumulated depreciation		(79,684)	(59,899)
Accumulated impairment losses		-	(42,667)
<b>Total infrastructure assets</b>		<b>354,836</b>	<b>294,116</b>
<b>Minor plant &amp; equipment</b>			
At cost		1,875	1,619
Accumulated depreciation		(854)	(673)
<b>Total minor plant &amp; equipment</b>		<b>1,021</b>	<b>946</b>
<b>Motor vehicles</b>			
At cost		20	63
Accumulated depreciation		(5)	(46)
<b>Total motor vehicles</b>		<b>15</b>	<b>17</b>
<b>Assets under construction</b>			
At cost		8,606	5,426
		<b>381,992</b>	<b>315,561</b>

Included within land is land held under lease of \$216 (2009: \$815), land held under reserve \$1,125,203 (2009: \$764,941) and state forest land \$96,107 (2009: \$79,753). These parcels of land are restricted in their use. There are no further restrictions on land.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<b>Reconciliation 2009</b>	<b>Land, buildings &amp; improvements \$000</b>	<b>Infra- structure assets \$000</b>	<b>Minor plant &amp; equipment \$000</b>	<b>Motor vehicles \$000</b>	<b>Assets under construction \$000</b>	<b>Total \$000</b>
Carrying amount at 1 July 2008	14,852	296,321	740	19	3,601	315,533
Additions	561	44	74	-	6,346	7,025
Disposals	(124)	(68)	(93)	-	-	(285)
Transfers	374	3,758	389	-	(4,521)	-
Revaluation increment/(decrement)	-	-	-	-	-	-
Depreciation	(607)	(5,947)	(164)	(2)	-	(6,720)
Impairment (loss)/Reversal	-	8	-	-	-	8
Carrying amount at 30 June 2009	15,056	294,116	946	17	5,426	315,561

<b>Reconciliation 2010</b>	<b>Land, buildings &amp; improvements \$000</b>	<b>Infra- structure assets \$000</b>	<b>Minor plant &amp; equipment \$000</b>	<b>Motor vehicles \$000</b>	<b>Assets under construction \$000</b>	<b>Total \$000</b>
Carrying amount at 1 July 2009	15,056	294,116	946	17	5,426	315,561
Additions	390	-	2	-	6,337	6,729
Disposals	(61)	(31)	(2)	-	-	(94)
Transfers	352	2,488	317	-	(3,157)	-
Revaluation increment/(decrement)	1,133	21,602	-	-	-	22,735
Depreciation	(494)	(6,006)	(242)	(2)	-	(6,744)
Impairment (loss)/Reversal	1,138	42,667	-	-	-	43,805
Carrying amount at 30 June 2010	17,514	354,836	1,021	15	8,606	381,992

<b>Land, Buildings and Infrastructure at Deemed Historical Cost</b>	<b>2010 \$000</b>	<b>2009 \$000</b>
Land	7,674	7,267
Buildings	3,030	2,805
Infrastructure	222,852	220,844
<b>Total Cost</b>	<b>233,556</b>	<b>230,916</b>

Note the above items at Historical Cost represent classes of assets that have been re-valued. These amounts exclude Motor Vehicles and Minor Plant & Equipment as these classes have never been re-valued.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### 8. INTANGIBLE ASSETS

	Development costs \$000	Total \$000
Balance at 1 July 2008	14,581	14,581
Acquisitions internally developed	10,765	10,765
Impairment loss	-	-
Balance at 30 June 2009	25,346	25,346

	Development costs \$000	Total \$000
Balance at 1 July 2009	25,346	25,346
Acquisitions internally developed	3,601	3,601
Impairment loss	(6,773)	(6,773)
Balance at 30 June 2010	22,174	22,174

The Intangible asset represents the development 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 drought or demand.

GAWB considers the development costs of the CSS meets 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.

The useful lives of the key components of the intangible asset are expected to be 4 to 10 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. At 30 June 2010 it is considered that the asset is not yet capable of operating in the manner intended by management as although GAWB received Environmental Impact Statement (EIS) approval for the Gladstone to Fitzroy Pipeline project from the Queensland Government Coordinator-General on 2 February 2010, in accordance with the bilateral agreement with the Commonwealth, the Coordinator-General's report has been provided to the Commonwealth Minister for the Environment, Heritage and the Arts, and is awaiting final approval.

The intangible asset forms part of GAWB's single cash generating unit, a single business operation incorporating storage, treatment and delivery of bulk water. The pre-impairment carrying value of \$28,946,635 (2009: \$25,346,125) is allocated to the single cash generating unit.

#### Impairment

On 2 July 2010, the Queensland Competition Authority (QCA) released its Final Report on the investigation of GAWB's pricing practices for the 2010 price review. The QCA has recommended that \$10 million of GAWB's total forecast CSS expenditure of \$33.3 million to 30 June 2010 be allocated into the regulated asset base (RAB) and recovered by being incorporated in customer prices from 1 July 2010. The balance of the CSS expenditure not recovered in customer prices is to be capitalised at WACC until a decision is made on whether or not to construct, at which time the expenditure will either be included in the asset base or written off for pricing purposes.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

The recoverable amount of the cash-generating unit has been determined on a value in use basis.

GAWB is a price regulated monopoly business with oversight by the QCA. The value in use of the cash-generating unit has been determined on a 5 year discounted cash flow model. 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 regulated asset base (RAB);
- return on working capital; and
- recovery of a revenue carry-over from the previous regulatory control period.

The value in use of the cash-generating unit has been calculated after considering the following:

- Revenue cash flows are a result of prices and demand determined in accordance with the pricing practices set out in the QCA 2010 recommendations. Prices used in revenue cash flows are based on the prices at 1 July 2010 indexed at the estimated CPI annual increase as used in the current Corporate Plan. The demand used to calculate revenue cash flows is based on the demand used to calculate prices.
- 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 9.525%.
- The present value calculation includes a terminal asset value which represents future cash flows assuming the continuation of current regulatory practices. The terminal value is calculated as the opening RAB value less depreciation plus capital expenditure for replacement of existing assets plus inflationary gain for the 2010 - 2015 regulatory control period and results in a terminal value of \$445,036,791 at 30 June 2015.
- Included in the residual asset value at 30 June 2015 is \$90.2M 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 period (refer note 7).
- 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 PP&E from the cash flows relating to the CSS. In this instance, the recoverable amount of the PP&E can be determined separately from the recoverable amount of the CSS.
- The segregated cash flows relating to the land, buildings & improvements and infrastructure assets have resulted in the reversal of the previous impairment of these assets (refer note 7).
- The recoverable value of the intangible has been determined at \$12,173,709. As the recoverable amount is below the net carrying value of the intangible of \$18,946,635, an impairment loss of \$6,772,926 has been recognised in the Statement of comprehensive income. The recoverable value of the land, buildings & improvements and infrastructure assets did not result in any impairment loss.

### (a) Government Grants

A grant of \$10 million was received from the Commonwealth Government as the conditions of payment, being establishment of the CDU joint venture and implementation of a Project Delivery Proposal Agreement, had been met. The grant will be recognised in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	Notes	2010 \$000	2009 \$000
<b>9. AUDITORS' REMUNERATION</b>			
<b>Audit services</b>			
QAO			
Audit and review of financial reports		47	57
<b>10. FINANCE INCOME AND EXPENSE</b>			
Interest income		179	1,037
Financial income		179	1,037
Interest expense		(8,616)	(8,710)
Financial expense		(8,616)	(8,710)
Net finance (income) and expense		(8,437)	(7,673)
<b>11. INCOME TAX EQUIVALENTS</b>			
<b>Recognised in the statement of comprehensive income</b>			
Current tax equivalents expense / (benefit)			
Current year		(626)	(791)
		(626)	(791)
Deferred tax equivalents expense / (benefit)			
Origination and reversal of temporary differences		(2,611)	234
		(2,611)	234
Total income tax expense / (benefit)		(3,237)	(557)
Numerical reconciliation between tax expense and pre-tax net profit			
Profit / (loss) for the year		(7,056)	(1,327)
Total income tax expense / (benefit)		(3,237)	(557)
Profit / (loss) excluding income tax equivalents expense		(10,293)	(1,884)
Income tax equivalents expense / (benefit)			
calculated at 30% (2007: 30%)		(3,088)	(565)
Income tax equivalents expense / (benefit)			
under / (over) provided in prior years		2	-
Accounting Impairment		(120)	-
Non-deductible accounting loss on land disposal		-	35
Deductible investment allowance		(33)	(28)
Non-deductible entertainment		2	1
		(3,237)	(557)



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	Notes	2010 \$000	2009 \$000
<b>12. CAPITAL AND RESERVES</b>			
<b>Issued Capital</b>			
Balance at 1 July		63,711	61,647
Equity contributions		-	2,064
Balance at 30 June		63,711	63,711
<b>Asset revaluation surplus</b>			
Balance at 1 July		117,247	116,916
Revaluation increments / (decrements)		47,445	510
Transfer of Increments on disposal of assets – net of tax		(195)	(179)
Balance at 30 June		164,497	117,247
<b>Asset revaluation surplus</b>			
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		11,475	12,624
Transfer of Increments on disposal of assets		196	178
Net profit / (loss) for the year		(7,056)	(1,327)
Retained earnings at 30 June		4,615	11,475
<b>13. (a) CASH AND CASH EQUIVALENTS</b>			
Cash on hand*		-	-
Cash at bank		1,057	896
Cash at bank – Trust/Security Deposit		-	25
Deposits at Queensland Treasury Corporation, at call		7,451	9,708
		8,508	10,629

\*Amounts less than \$500



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	Notes	2010 \$000	2009 \$000
13 (b) RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit/(loss) after income tax equivalents		(7,056)	(1,327)
Adjustment for:			
Depreciation		6,744	6,720
Impairment Loss		6,372	-
(Gain)/loss on sale of property, plant and equipment		1	270
		<u>6,061</u>	<u>5,663</u>
Change in assets and liabilities:			
(Increase)/decrease in trade and other receivables		1,832	(1,793)
(Increase)/decrease in current tax asset		241	(241)
(Increase)/decrease in deferred tax assets		(937)	(252)
Increase/(decrease) in trade and other payables		(2,549)	3,812
Increase/(decrease) in deferred tax liabilities		16,386	(305)
Increase/(decrease) in employee benefits		204	69
Increase/(decrease) in tax liabilities		-	(1,465)
Increase/(decrease) in provisions		10	-
Increase/(decrease) in other liabilities		879	(1,862)
Increase/(decrease) in tax re Asset Revaluation surplus		(18,686)	-
Net cash from operating activities		<u>3,441</u>	<u>3,626</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	Notes	2010 \$000	2009 \$000
<b>14. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Trade receivables		3,009	4,866
Other receivables and prepayments		313	332
		<u>3,322</u>	<u>5,198</u>

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

	2010			2009		
	Total \$000	Amount Impaired \$000	Amount not Impaired \$000	Total \$000	Amount Impaired \$000	Amount not Impaired \$000
Not past due	2,561	-	2,561	4,335	-	4,335
Past due 30 days	-	-	-	519	-	519
Past due 31 – 60 days	443	-	443	11	-	11
Past due >60 days	5	-	5	1	-	1
<b>Total</b>	<b>3,009</b>	<b>-</b>	<b>3,009</b>	<b>4,866</b>	<b>-</b>	<b>4,866</b>

As at 30 June 2010 GAWB had current trade receivables of \$Nil (2009: \$Nil) that was impaired.

All the current net trade receivables that are neither past due or impaired are with long standing clients who have good track record.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	2010	2009
	\$000	\$000
<b>15. INVENTORY</b>		
Balance at 1 July	66	44
Net increase /(decrease)	44	22
Balance at 30 June	<u>110</u>	<u>66</u>
<b>16. CURRENT TAX ASSETS</b>		
<i>Income tax equivalents recoverable</i>		
Movements during the year were as follows:		
Balance at 1 July	241	-
Income tax equivalents paid/(refunded)	(241)	241
Balance at 30 June	<u>-</u>	<u>241</u>
<b>17. BIOLOGICAL ASSETS</b>		
Balance at 1 July	9	18
Net increase due to births (deaths)	8	(9)
Balance at 30 June	<u>17</u>	<u>9</u>
<b>18. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade creditors	1,489	2,450
Accrued audit fees	47	33
Accrued capital works	150	100
Other accruals	1,769	3,421
	<u>3,455</u>	<u>6,004</u>
<b>Non-current</b>	<u>-</u>	<u>-</u>





NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	2010	2009
	\$000	\$000
<b>19. LOANS AND BORROWINGS</b>		
<b>Current liabilities</b>		
Queensland Treasury Corporation loans – unsecured	2,916	4,024
<b>Non-current liabilities</b>		
Queensland Treasury Corporation loans – unsecured	136,743	130,946
<b>Finance Facilities</b>		
GAWB has a working capital facility available through Queensland Treasury Corporation to assist in managing short term cash requirements.		
Available at reporting date	140,159	135,470
Utilised at reporting date	(139,659)	(134,970)
	500	500
<b>Finance lease liabilities</b>		
GAWB has no finance lease liabilities.		
<b>20. EMPLOYEE BENEFITS</b>		
<b>Current</b>		
PAYG Payable	85	69
Liability for long service leave	130	107
Liability for annual leave	361	242
Total employee benefits – current	576	418
<b>Non-current</b>		
Liability for long service leave	128	82
Employee benefits	128	82
<b>Defined contribution superannuation funds</b>		
GAWB makes contributions to defined contribution superannuation funds. The amount recognised as expense was \$402,364 for the financial year ended 30 June 2010 (2009: \$275,352).		



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	2010	2009
	\$000	\$000
<b>21. PROVISIONS</b>		
<b>Current</b>		
ILUA liability		
Balance at 1 July	118	118
Increase of provision	10	-
Balance at 30 June	128	118
<b>Total current provisions</b>	128	118
<b>ILUA liability</b>		
The provision relates to land that was acquired during completion of the Awoonga Dam. The land contained native title and provision is for the amount agreed in the independent valuation taken at the time.		
<b>22. DEFERRED INCOME</b>		
<b>Current</b>		
Unearned income	-	481
Revenue received in advance	465	26
	465	507
<b>Non-Current</b>		
Revenue received in advance	11,309	10,388



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

#### 23. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Property, plant & equipment	-	-	(34,562)	(16,192)	(34,562)	(16,192)
Intangible assets	-	-	1,848	(136)	1,848	(136)
Trade & Other Payables	-	10	-	-	-	10
Employee benefits	186	129	-	-	186	129
Revenue received in advance	3,532	3,268	-	-	3,532	3,268
Tax value of loss carry-forwards	1,417	791	-	-	1,417	791
Tax assets / (liabilities)	5,135	4,198	(32,714)	(16,328)	(27,579)	(12,130)

Movements in temporary differences during the year:

	Balance 1 July 2008	Recognised in income	Recognised in equity	Balance 30 June 2009
	\$000	\$000	\$000	\$000
Property, plant and equipment	(16,581)	389	-	(16,192)
Intangibles	(52)	(84)	-	(136)
Trade & Other Payables	8	2	-	10
Employee benefits	111	18	-	129
Provisions	695	(695)	-	-
Revenue received in advance	3,132	136	-	3,268
Tax value of loss carry-forwards	-	791	-	791
	(12,687)	557	-	(12,130)

	Balance 1 July 2009	Recognised in income	Recognised in equity	Balance 30 June 2010
	\$000	\$000	\$000	\$000
Property, plant and equipment	(16,192)	316	(18,686)	(34,562)
Intangibles	(136)	1,984	-	1,848
Trade & Other Payables	10	(10)	-	-
Employee benefits	129	57	-	186
Provisions	-	-	-	-
Revenue received in advance	3,268	264	-	3,532
Tax value of loss carry-forwards	791	626	-	1,417
	(12,130)	3,237	(18,686)	(27,579)



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### 24. FINANCIAL RISK MANAGEMENT

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

In common with all other businesses, GAWB is exposed to risks that arise from its use of financial instruments. This note describes GAWB's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

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.

The Board has overall responsibility for the determination of the entity'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 entity's finance function. The entity's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the entity where such impacts may be material. The Board receives monthly reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The entity'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. Further details regarding these policies are set out below:

#### (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 maximum exposure to credit risk at balance date is as follows

	2010	2009
	\$000	\$000
Trade Receivables	3,009	4,866
	<u>3,009</u>	<u>4,866</u>

GAWB's most significant customer accounts for \$682,320 of trade receivables at 30 June 2010.

#### (c) Liquidity Risk

Liquidity risk is the risk that the entity may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. Water sales are on a contracted basis to major industrial customers and the local council with payments monitored for compliance with contract terms. It is the Board'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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Financing arrangements

The following financing facilities were available at balance date:

	2010 \$000	2009 \$000
<b>Credit stand-by arrangements</b>		
Total Facilities:	500	500
Overdraft	500	500
Used at balance date	-	-
Overdraft	-	-
Unused at balance date	500	500
Overdraft	500	500
<b>Loans</b>		
Total facilities:	139,659	134,970
Used at balance date	139,659	134,970
Unused at balance date	-	-

The Overdraft facility may be drawn down at any time but may be terminated by the financier without notice.  
The loans are fully drawn and have a maturity of 21 years.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Maturity Analysis

2010	Fixed interest maturing in:			Floating interest rate \$000	Non interest bearing \$000	Total \$000	Weighted average interest rate
	1 year or less	1 to 5 years	Over 5 years				
	\$000	\$000	\$000				
<b>Financial Assets</b>							
Cash and cash equivalents:							
Cash at bank and on hand	-	-	-	1,057	-	1,057	Nil
Deposits at QTC	-	-	-	7,451	-	7,451	5.34%
Trade and other receivables	-	-	-	-	3,322	3,322	N/A
Total				8,508	3,322	11,830	
<b>Financial Liabilities</b>							
Trade and other payables	-	-	-	-	3,455	3,455	N/A
Interest-bearing liabilities	13,372	53,490	217,303	-	-	284,165	7.58%
Total	13,372	53,490	217,303	-	3,455	287,620	

2009	Fixed interest maturing in:			Floating interest rate \$000	Non interest bearing \$000	Total \$000	Weighted average interest rate
	1 year or less	1 to 5 years	Over 5 years				
	\$000	\$000	\$000				
<b>Financial Assets</b>							
Cash and cash equivalents:							
Cash at bank and on hand	-	-	-	921	-	921	Nil
Deposits at QTC	-	-	-	9,708	-	9,708	3.41%
Trade and other receivables	-	-	-	-	5,198	5,198	N/A
Total	-	-	-	10,629	5,198	15,827	
<b>Financial Liabilities</b>							
Trade and other payables	-	-	-	-	6,004	6,004	N/A
Interest-bearing liabilities	11,742	46,969	194,443	-	-	253,154	5.80%
Total	11,742	46,969	194,443	-	6,004	259,158	

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*. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows.





NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

30/6/2010	Carrying amount	Interest Rate Risk			
		-100 bpts		+100 bpts	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
Cash at bank	1,057	-	-	11	11
QTC Cash Fund	7,451	(75)	(75)	75	75

30/6/2009	Carrying amount	Interest Rate Risk			
		-100 bpts		+100 bpts	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
Cash at bank	921	-	-	9	9
QTC Cash Fund	9,708	(97)	(97)	97	97

**Net fair value of financial assets and liabilities**

The net fair value of the economic entity'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.

Financial Instruments	Total Carrying Amount		Net Fair Value	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Financial Assets</b>				
Cash and cash equivalents	8,508	10,629	8,508	10,629
Trade and other receivables	3,322	5,198	3,322	5,198
	11,830	15,827	11,830	15,827
<b>Financial Liabilities</b>				
Trade and other payables	3,455	6,004	3,455	6,004
Interest-bearing liabilities	139,659	134,970	140,900	137,587
	143,114	140,974	144,355	143,591



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### 25. CAPITAL RISK MANAGEMENT

GAWB considers its capital to comprise its issued capital, 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 for its equity owner 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 45 - 50% (2009: 40 - 44%). GAWB's gearing ratio at the balance sheet date is shown below:

	2010	2009
	\$000	\$000
<b>Gearing ratios</b>		
Net Debt	139,659	134,970
Total equity	232,823	192,433
Total equity and net debt	<u>372,482</u>	<u>327,403</u>
Gearing ratio	37%	41%

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.

### 26. OPERATING LEASES

#### Leases as lessee

Operating lease rentals are payable as follows:

Not later than 1 year	234	199
Later than one year, but less than five years	256	121
More than five years	-	-
	<u>490</u>	<u>320</u>

During the year ended 30 June 2010, \$230,746 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2009: \$137,787).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	2010	2009
	\$000	\$000
<b>27. CAPITAL AND OTHER COMMITMENTS</b>		
Expenditure commitments (including GST) contracted for but not provided for and payable:		
Amounts to be expensed:		
Not later than one year	222	215
Later than one year, but less than five years	230	68
More than five years	-	-
Revenue received in advance	452	283
Amounts to be capitalised:		
Not later than one year	4,810	2,368
Later than one year, but less than five years	-	-
More than five years	-	-
	4,810	2,368

### 28. CONTINGENCIES

- (a) The Commonwealth Bank of Australia has issued on GAWB's behalf a bank guarantee for \$24,299 as security for a lease on premises at 38 Hope Street, South Brisbane.
- (b) GAWB has either finalised or is presently close to finalising various agreements associated with the conclusion of preparatory works on the Gladstone to Fitzroy Pipeline Project. These agreements will support GAWB's ability to efficiently deliver the project when it is required at a future uncertain date. All agreements are contingent upon GAWB exercising its rights which could only occur following commercial and regulatory approval. These agreements relate to matters such as cultural heritage management, land acquisition and the provision of construction services.
- (c) Otherwise there are no other known contingent assets or liabilities.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### 29. RELATED PARTY DISCLOSURES

#### Directors

The directors of GAWB during the financial year were:

Name of Director	Date of Initial Appointment	Date of Re-Appointment	Date of Cessation
Ms Mary Boydell	29 June 2001	2 November 2007	
Cr Craig Butler	17 September 2004	14 August 2009	
Mr Peter Corones	1 October 2000	17 September 2004	14 August 2009
Cr Clyde Cameron	14 August 2009		
Mr Warren Dinte	1 October 2000	14 August 2009	
Ms Rowena McNally	2 November 2007		4 June 2010
Mr John Mulheron	15 December 2000	30 March 2007	
Cr. Gail Sellers	17 September 2004	14 August 2009	

#### 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 Cr C Butler, Cr C Cameron and Cr G Sellers are councillors, and Gladstone Ports Corporation of which Mr P Corones is a Director.

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

#### Transactions with key management personnel

In addition to their cash salaries, GAWB also provide non-cash benefits in the form of salary packaging to key management personnel, and contributes to a defined contribution plan on their behalf.

#### Key management personnel compensation

The key management personnel compensation included in labour and on costs in the statement of comprehensive income are as follows:

	2010	2009
	\$000	\$000
Short-term employee benefits	1,218	1,180
Other long-term benefits	19	18
Post employment benefits	223	205
	<u>1,460</u>	<u>1,403</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

### 29. RELATED PARTY DISCLOSURES (CONTINUED)

#### Executive Remuneration

	2010	2009
	Number	Number
The number of senior executives who received or were due to receive total remuneration of \$100,000 or more:		
\$100,000 to \$119,999	1	1
\$120,000 to \$139,999	-	1
\$140,000 to \$159,999	2	4
\$160,000 to \$179,999	3	-
\$180,000 to \$199,999	1	-
\$240,000 to \$259,999	-	-
\$260,000 to \$279,999	1	-
\$280,000 to \$299,999	-	1
Total	8	7

#### Other key management personnel transactions

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.

### 30. SUBSEQUENT EVENT

There has not arisen in the interval between the end of the financial year and the date of this report any 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.

### 31. CREATION OF GLADSTONE AREA WATER BOARD EMPLOYING OFFICE

On 23 April 2007 the Queensland Parliament passed the Statutory Bodies Legislation Amendment Act 2007 which amended the Water Act 2000. These amendments included the creation of the Gladstone Area Water Board Employing Office as a statutory body for the purposes of the Financial Accountability Act 2009. In relation to the Gladstone Area Water Board Employing Office there were no transactions prior to and including 30 June 2010 and no assets and liabilities existing as at 30 June 2010. Accordingly, a separate financial report for the 2009-10 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 2010 and of the financial position of the Gladstone Area Water Board at the end of that year.

M.S. Boydell  
Chairperson  
Gladstone Area Water Board

J. Grayson  
Chief Executive Officer

31 August 2010





# 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 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 (a), the Board also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

## 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. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance 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 risks of material misstatement in 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 and fair presentation of the financial report 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 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 as 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.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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 only be removed by Parliament.

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

### Auditor's 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 respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report has been drawn up so as to present 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 2009 to 30 June 2010 and of the financial position as at the end of that year; and
  - (iii) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a).

**Derek Campbell**  
(as Delegate of the Auditor-General of Queensland)

Townsville

Dated: 31 August 2010



# GLOSSARY

<b>Act</b>	<i>Water Act 2000 (Qld)</i>
<b>AHD</b>	Australian height datum
<b>ARM</b>	Audit and Risk Management Committee
<b>Board</b>	GAWB's Board of Directors
<b>CAPEX</b>	Capital expenditure
<b>CDUJV</b>	Clough Diversified United Joint Venture
<b>CEO</b>	Chief Executive Officer
<b>CQRWSS</b>	Central Queensland Regional Water Supply Strategy
<b>CSS</b>	Contingent Supply Strategy
<b>CWT</b>	Capital Works and Technical Committee
<b>DERM</b>	Department of Environment and Resource Management
<b>EIS</b>	Environmental Impact Statement
<b>FOI</b>	Freedom of Information
<b>GAWB</b>	Gladstone Area Water Board
<b>GFP</b>	Gladstone Fitzroy Pipeline Project
<b>GRC</b>	Gladstone Regional Council
<b>KPI</b>	Key Performance Indicators
<b>LFRIP</b>	Lower Fitzroy River Water Infrastructure Project
<b>Minister</b>	Minister for Natural Resources, Mines and Energy and Minister for Trade
<b>ML</b>	Mega litres
<b>ML p.a.</b>	Mega litres per annum
<b>NRM</b>	Nomination and Remuneration Committee
<b>QCA</b>	Queensland Competition Authority
<b>RAP</b>	Risk Adjusted Price
<b>ROL</b>	Resource Operations Licence
<b>ROP</b>	Boyne River Basin Resource Operations Plan 2003
<b>RRC</b>	Rockhampton Regional Council
<b>SAMP</b>	Strategic Asset Management Plan
<b>SEPBP</b>	Senior Executive Performance Bonus Plan
<b>SLMP</b>	System Leakage Management Plan
<b>SWP</b>	Strategic Water Plan
<b>TAM</b>	Transition and Maintenance Phase of GFP
<b>TEC</b>	Total Employment Cost
<b>WRP</b>	<i>Water Resource (Boyne River Basin) Plan 2000</i>
<b>WSSRA</b>	<i>Water Supply (Safety &amp; Reliability) Act 2008 (Qld)</i>



# DIRECTORY

## PRINCIPAL PLACE OF BUSINESS

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Queensland

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## DIRECTORS

Mary Boydell – Chairperson  
Cr Craig Butler  
Cr. Clyde Cameron – appointed 14 August 2009  
Peter Corones – retired 14 August 2009  
Warren Dinte  
Amelia Hodge - appointed 16 July 2010  
Rowena McNally - resigned 4 June 2010  
John Mulheron  
Cr Gail Sellers

## CHIEF EXECUTIVE OFFICER

Jim Grayson

## CORPORATE SECRETARY

Gary Larsen

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 the Internet.

The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on either 07 49763000 or [gawb@gawb.qld.gov.au](mailto:gawb@gawb.qld.gov.au) and we will arrange an interpreter to effectively communicate the report to you.

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Water Board**

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