

**Gladstone Area
Water Board**

**ANNUAL REPORT
2014**





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Chairperson's letter

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

Dear Minister

I am pleased to present the Annual Report 2014 and financial statements of Gladstone Area Water Board.

I certify that this Annual Report complies with:

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

A checklist outlining the annual reporting requirements can be accessed at www.gawb.qld.gov.au.

Yours sincerely

Mary Boydell
Chairperson





Chairperson's review

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

GAWB owns and operates Awoonga Dam on the Boyne River along with a network of delivery pipelines, water treatment plants and other bulk water distribution infrastructure in the Gladstone region in Central Queensland. The foundations of GAWB's operations are its water allocation from Awoonga Dam, granted under the Act and in accordance with the *Water Resource (Boyne River Basin) Plan 2013* (WRP), of 78,000 ML per annum (ML p.a.) and its Resource Operating Licence (ROL) under the Act.

Contingent Supply Strategy

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

The CSS has seen GAWB:

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

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

2015 Price Monitoring Investigation

The Referral Notice requiring the Queensland Competition Authority (QCA) to conduct the 2015 Price Monitoring Investigation was published in the Government Gazette in March 2014. During 2013/14, GAWB prepared a detailed work plan for the development of its submissions to the QCA, engaged with the QCA, Department of Energy and Water Supply (DEWS) and Treasury on the draft terms of reference for the Price Monitoring Investigation, and commenced the work required for GAWB's submissions.

Awoonga Dam

Remediation works to the auxiliary spillway at Saddle Dam 3 and other infrastructure at Awoonga Dam, which resulted from the January 2013 rainfall event associated with Ex-Tropical Cyclone Oswald, were completed during the 2013/14 financial year.

Designs and planning for the upgrade works to be undertaken at Awoonga Dam in 2014/15 were finalised during the year. The upgrade works will include a 5m raising of Saddle Dam 3 (west of the main dam spillway) and the construction of a new auxiliary spillway at Saddle 6 (further west of Saddle Dam 3). The new auxiliary spillway will only release water from Lake Awoonga if the water level exceeds 50.7m (10.7m higher than the Full Supply Level of Awoonga Dam and 2.8m higher than the January 2013 record high). Such extreme flood events have an estimated Annual Exceedance Probability of less than 1 in 10,000.

The design of the upgrade works meets the requirements of the December 2012 revision of the *Guidelines on Acceptable Flood Capacity for Water Dams* and has had regard to damage experienced and other information obtained as a result of the January 2013 flood event. Tenders were called in the last quarter of 2013/14 and site works commenced in July 2014.

Operations

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

At 30 June 2014, GAWB had total assets of \$587.933 million, with equity of \$291.241 million, and employed 86 people (81.3 full time equivalents). GAWB's revenue in 2013/14 from the supply of water was \$67.382 million. Net profit after tax for the year ended 30 June 2014 totalled \$10.558 million.



Vision

To be an excellent water business



Mission

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



Values

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

Professionalism

- » individual and collective

Accountability

- » clarity and commitment

Communication

- » clear and concise

Trust

- » earning and conferring





Overview of the year

Significant highlights for the 2013/14 reporting year

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

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

Following amendments to the WSSRA, GAWB implemented approved changes to its emergency planning and other processes as required by the Dam Safety Regulator.

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

Meeting water needs

- » Supplied potable water in compliance with the Australian Drinking Water Guidelines and GAWB's Drinking Water Quality Management Plan (DWQMP) throughout the year.
- » Updated operating and reporting processes to ensure ongoing compliance with the WRP, *Boyne River Resource Operations Plan 2013* (Boyne River ROP) and the new *Awoonga Water Supply Scheme Resource Operations Licence* (Awoonga ROL).
- » Completed upgrade of GAWB's Asset Management System (AMS), including updates to maintenance tactics, strategy and life cycle maintenance plans and comprehensive asset coverage.
- » Completed the design and planning, and progressed the procurement of a principal construction contractor, for the Awoonga Dam upgrade works required to be completed by October 2015.
- » Commenced operation of, and supply of water to LNG proponents through, the water supply pipeline and associated infrastructure constructed for the Curtis Island Pipeline Project.
- » Progressed site investigations and detailed designs for an offline storage reservoir and standby pumping systems, to improve water reliability for the Gladstone region.
- » Completed replacement of the Gladstone Water Treatment Plant (GWTP) to South Gladstone Reservoir pipeline, and progressed the structural refurbishment of Awoonga Dam Pump Station (66% complete at 30 June 2014).
- » Engaged with QCA, DEWS and Treasury on the draft terms of reference for the 2015 Price Monitoring Investigation, and commenced development of GAWB's submissions.
- » Finalised a major update to GAWB's Strategic Water Plan (SWP).

Commercial results

- » Water revenue of \$67.382 million (62,780 ML reserved; 46,821 ML supplied) compared to target sales of \$64.417 million (61,007 ML reserved; 53,637 ML supplied).
- » Total expenses of \$22.453 million compared to budget expenditure of \$20.711 million.
- » Earnings before interest and tax (EBIT) of \$31.415 million compared to target of \$29.662 million.
- » Net profit after tax equivalents of \$10.558 million compared to budgeted profit of \$9.478 million through lower than budget interest expense, depreciation and amortisation.
- » Return on assets (ROA) of 5.49% compared to target of 5.28%.
- » Exceeded BBB metrics for interest cover ratios.

Corporate citizenship

- » Maintained commitment to safety, with no lost time injuries (LTIs) recorded during the year. As at 30 June 2014, GAWB had operated for 712 days without recording any LTIs.
- » Complied with environmental obligations and reporting requirements of the Boyne River ROP, Awoonga ROL and environmental authorities administered by the Department of Environment and Heritage Protection.
- » Continued management of a turtle triage facility within existing hatchery operations under an agreement with an LNG proponent.

Overview of the year continued

Capability

- » Exceeded target staff retention rate (83%).
- » Maintained staff satisfaction survey results, with a result of 5.2/7 compared to previous 5.1/7.
- » Recruited resources as required to ensure appropriate capability.
- » Reviewed and further developed operating procedures for safety, risk and work method requirements as required to maintain quality assurance, safety and environmental management accreditations within the relevant ISO or AS/NZS.
- » Further improved GAWB's risk management framework and corporate risk profile following a detailed review of risk registers and the delivery of planned mitigating actions.
- » Commenced development of an Administrative Excellence & Technology Utilisation project to integrate GAWB's response to workflow, Enterprise Resource Planning (ERP) and document management requirements.
- » Reviewed GAWB's long term accommodation needs and options aligned with the defined criteria and objectives.

GAWB's actual performance in 2013/14 is set out in the Headline performance measures table on the following page. This table includes comparisons against key performance measure (KPM) targets set out in the Performance Plan 2013/14 and against actual results for the 2012/13 financial year.

GAWB uses KPMs to drive performance, and to monitor the efficiency and effectiveness of its operations and progress towards the achievement of its goals. GAWB considers relevant industry benchmarks in the formulation of these KPMs.

The following table provides a snapshot of GAWB's financial position¹ at 30 June 2014.

		2014	2013
Profit and Dividend			
Water sales revenue ²	\$ million	67.4	54.2
Total revenue	\$ million	69.6	57.8
Earnings before interest and tax	\$ million	31.4	23.3
Profit/(loss) after tax	\$ million	10.6	8.3
Dividends paid	\$ million	3.3	2.4
Cash Flow			
Net Cash from operating activities	\$ million	21.4	20.8
Balance Sheet			
Total assets	\$ million	587.9	555.8
Total equity	\$ million	291.2	273.7
Total borrowings	\$ million	234.0	211.8

¹ Includes revaluation and impairment calculations

² Includes transfer from unearned income provision

Overview of the year continued

Headline performance measures

	Year Ended 30 June			
		2014	2013	
	Actual	Target	Actual	
Headline performance measures				
Meeting Water Needs				
Water Demand				
Variation between actual customer reservations & regulatory forecast demand:				
» Current year	%	+2.4 ✓	+10/-5	+2.2
» Cumulative since last Price Review	%	+1.7 ✓	+10/-5	+1.4
Water Supply				
<i>Sufficiency</i>				
Preparedness for augmentation	%	100 ✓	100	100
<i>Water Quality</i>				
Potable water fitness to drink	%	100 ✓	100	100
<i>Cost/efficiency</i>				
CAPEX program spend on all projects ¹	\$ million	18.253 ✗	28.814	8.787
Commercial Results				
Profitability				
EBIT	\$ million	31.415 ✓	29.662	23.280
ROA	%	5.49 ✓	5.28	4.27
Operating expenditure (less depreciation & interest) vs budget	%	109 ✗	<100	104
Corporate Citizenship				
Safety				
Lost time injuries	No.	Nil ✓	≤2	1
Environmental Responsibility				
Compliance with environmental legislation and standards – breach notices received	No.	Nil ✓	Nil	Nil
Capability				
Percentage of Headline performance measures achieved	%	78 ✗	100	56

¹ Out of the 111 projects planned for the year, 30 reached practical completion by 30 June 2014. Practical completion was also achieved for a further 12 unplanned projects and 40 projects carried over from the previous year. The total program spend in 2012/13 excludes expenditure incurred on the Curtis Island Pipeline Project.



Board of Directors profiles



Mary S. Boydell BCom, FCA, of Brisbane Chairperson

Appointed to the Board on 29 June 2001 and appointed Chairperson from 22 February 2002, Ms Boydell is also Chairperson of the Audit & Risk Management Committee. She was reappointed on 27 June 2014 until 31 December 2014. Ms Boydell serves as a Board member of the Commonwealth Scientific and Industrial Research Organisation (CSIRO), a Director of Uniquet Limited and UATC Pty Ltd, and Executive Chairman of Yalari Limited. Her previous appointments include Commissioner (and Acting Commissioner) of the Queensland Water Commission, Chairperson of the Rural Industries Research and Development Corporation, Board Member of the Queensland Bulk Water Supply Authority and Director of Energex Limited, South East Queensland Water Corporation Limited, BSES Limited, the Australian Trade Commission (Austrade) and Burnett Water Pty Ltd. She is a Chartered Accountant with significant experience in business, finance and corporate administration and has also served as a member of the Queensland Regional Council of the Institute of Chartered Accountants in Australia (Chairman for 2008).



Patrice A. Brown CertSugarTech, BSc (IndChem), MEng (Civil), DipBus, CertMaritimeEnvMgt, GAICD, of Rockhampton

Appointed a Director on 27 June 2014 until 27 June 2017, Ms Brown is a successful Central Queensland business owner. She has a background in heavy industry and consulting, with over 20 years' experience as an environmental practitioner, including as the Central Queensland manager for SKM. Ms Brown established CQG Consulting (CQ Environmental Pty Ltd) over ten years ago and has grown the business into one of regional Queensland's largest environmental, engineering and planning consulting businesses. She has held board positions on the Emerald Agricultural College, Sugar Research and Development Corporation (SRDC), Rockhampton Regional Development Ltd and Capricorn Enterprise.



Denis J. Cook BE (Civil), Dip HE, MEngSci, GradDipMgt, of Brisbane

Appointed a Director on 27 June 2014 until 27 June 2017, Mr Cook was appointed to the Audit & Risk Management Committee in July 2014. Mr Cook has post graduate qualifications in engineering and public administration and over 40 years' experience in the planning and delivery of infrastructure in Queensland. He worked in the Office of the Coordinator-General from 1982 to 2005 and was commissioned as Deputy Coordinator-General in 1999. He joined Parsons Brinckerhoff Australia in 2006 and retired from the position of Regional Director, Queensland in 2013.



Malcolm Leinster BTech (MechEng), GradDipAppComp, FIEAust, CPEng, RPEQ, GAICD, of Gladstone

Appointed to the Board on 4 August 2011, Mr Leinster was a member of the Works Committee during 2013/14 and was appointed to the Audit & Risk Management Committee in July 2014. He was reappointed on 27 June 2014 until 27 June 2017. A Mechanical Engineer with a background in electrical power generation, Mr Leinster served in that industry for over 35 years and is an Adjunct Professional Fellow at CQ University. His experience covers the design, construction, commissioning, operation and maintenance of heavy equipment and complex systems. Mr Leinster has been a Chartered Member of the Institution of Engineers for most of his career, and has contributed to running that body's activities in the Gladstone region as a member of the Executive Committee and various organising committees. He continues to be involved in activities to interest school students in science and mathematics, and career paths in engineering.



Cr Graham E. McDonald, of Gladstone

Appointed a Director on 27 June 2014 until 30 September 2015, Cr McDonald is a member of the Gladstone Regional Council (GRC). He has actively served on many boards and committees in the past, including Gladstone Calliope Aerodrome Board, Capricorn Pest Management Group and Central Queensland Local Government Waste Management. An electrician by profession, he has also served as a member of Apex and the SES. Cr McDonald was involved in the successful development of the Calliope Kindergarten, the Calliope Pool and the Calliope SES building, and has used his contacts in the community to bring together businesses and funding bodies in the Gladstone region over many years.



Craig W. Butler, of Targinnie

A Director from 17 September 2004 until his retirement on 27 June 2014, Mr Butler was a member of the Board's Audit & Risk Management Committee during 2013/14 until his retirement. He was a member of the Calliope Shire Council from 1997 until the Local Government amalgamation, elected as a Councillor of the GRC in March 2008 and continued in the role as Councillor until the council elections conducted in April 2012. Mr Butler has extensive experience as a surveyor across the mining, engineering and construction, and land development fields. He has been a Director and partner in a local consultant surveying business and has a long record of involvement in various community organisations including executive positions.

Board of directors profiles continued



Clyde Cameron, of Calliope

A Director from 14 August 2009 until his retirement on 27 June 2014, Mr Cameron was Chairperson of the Human Resources & Remuneration Committee during 2013/14 until his retirement. He was a GRC Councillor from March 2008 to April 2012 and served as Councillor with the former Calliope Shire Council from March 2004. Mr Cameron is a primary producer of cattle and fourth generation owner of a local grazing property. He is also a former Director of the Fitzroy Basin Association.



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

Mr Dinte served as a member of the Board continuously from 1997, prior to GAWB's commercialisation in 2000, until his retirement on 27 June 2014. He was a member of the Human Resources & Remuneration and Works Committees during 2013/14 until his retirement. At his initial appointment to the Board, Mr Dinte was one of the then Calliope Shire Council's two nominees. Although not a Councillor, Mr Dinte was re-nominated by GRC following the 2008 Local Government amalgamation. Owner of a small business for 30 years until his retirement, Mr Dinte has extensive experience as Secretary or Member of Statutory Authorities, including 16 years as a Councillor.



Amelia Hodge LLB, GradCertPropEc, of Bardon

A Director from 16 July 2010 until her retirement on 27 June 2014, Ms Hodge was a member of the Audit & Risk Management Committee during 2013/14 until her retirement. She also serves as a non-executive Director of Transmax Pty Ltd (and chairs its Audit, Risk & Finance Committee) and is a member of the Great Artesian Basin Advisory Council. During the course of her career, Ms Hodge has undertaken senior management roles across a range of infrastructure projects for state and local government entities, and currently holds the role of Manager Approvals at Origin Energy. She has previously had her own private legal practice specialising in the areas of property and commercial law and is a member of several professional associations. Ms Hodge has completed both the Australian Institute of Company Directors and Harvard University Kennedy School of Government Infrastructure and the Market Economy Executive Programs.



John J. Mulheron BE (Civil), GradDipBA, of Brisbane

A Director from 15 December 2000 until his retirement on 27 June 2014, Mr Mulheron was Chairperson of the Works Committee and a member of the Human Resources & Remuneration Committee during 2013/14 until his retirement. Mr Mulheron is a water industry consultant and is a former career public servant and Coordinator-General in the Queensland Premier's Department.

The number of meetings of the Board and its standing committees attended by each Director during the 2013/14 financial year is set out below.

Director	Board Meetings	
	Attended	Held ¹
Ms M.S. Boydell	15	15
Ms P.A. Brown	–	–
Mr D.J. Cook	–	–
Mr M. Leinster	13	15
Cr G.E. McDonald	–	–
Mr C.W. Butler	13	15
Mr C. Cameron	13	15
Mr W. Dinte	15	15
Ms A. Hodge	10	15
Mr J.J. Mulheron	12	15

¹ Reflects the number of meetings held during the time the Director held office during the year.

Director	Audit & Risk Management Committee Meetings		Human Resources & Remuneration Committee Meetings		Works Committee Meetings	
	Attended	Held ¹	Attended	Held ³	Attended	Held ¹
Ms M.S. Boydell	6	6	–	–	–	–
Mr M. Leinster	–	–	–	–	3	4
Mr C.W. Butler	6	6	–	–	–	–
Mr C. Cameron	–	–	3	3	–	–
Mr W. Dinte	–	–	3	3	4	4
Ms A. Hodge	3	6	–	–	–	–
Mr J.J. Mulheron	–	–	2	3	3	4

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

Meeting water needs

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

Water planning

GAWB's customer base is unique. Industrial and power generation demand represents approximately 80% of the total water supplied. GAWB recognises that any interruption to supply has the potential to disrupt the operation of these customers' multi-billion dollar facilities, which will result in the loss of substantial revenue to them. Whilst security of supply to such commercially sophisticated customers is critical, value for money is equally important. GAWB seeks to facilitate the appropriate balance between these competing objectives through the medium of its contractual and commercial frameworks. It is through these frameworks that GAWB aims to deliver the optimal allocation of risk and cost for the services it provides to its customers.

Approximately 20% of the total water supplied by GAWB is supplied to GRC as potable water. GRC then on-sells this potable water to residential and small business users. GAWB recognises its important responsibility of ensuring high quality drinking water as well as being reliable and reasonably priced. For Gladstone to prosper as a centre of industry and commerce, GAWB embraces its role of providing residents with a trusted and valued bulk water service.

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

GAWB finalised a major update of its SWP, following customer and other stakeholder consultation, in November 2013. While the previous SWP was focused upon ensuring the security of GAWB's water supply, the 2013 SWP looks at how GAWB can best meet the needs of current and future customers and specifically addresses the important inter-related water service issues of demand, security, reliability and price. It articulates GAWB's approach to meeting these challenges into the future through:

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

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

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

The preparatory activities for the GFP and LFRIP ensure that GAWB will be able to access, when required, its entitlement to 30,000 ML p.a. of high reliability water from the lower Fitzroy River reserved under the *Fitzroy Basin Resource Operations Plan 2004*. The work program for the GFP preparatory works is reviewed and revised annually to ensure that only those tasks necessary to maintain the required state of preparedness and retain value in the work are undertaken. The work program for the LFRIP continued during 2013/14 with the preparation of the draft EIS and business case.

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

Review continued

Water availability

The foundations of GAWB's operations are its water allocation of 78,000 ML p.a. and its Resource Operating Licence (ROL) under the Act. The WRP and Boyne River ROP replaced the *Water Resource (Boyne River Basin) Plan 2000* and *Boyne River Basin Resource Operations Plan 2000* in December 2013. GAWB's water allocation was then transitioned, without amendment, to a water allocation under the WRP.

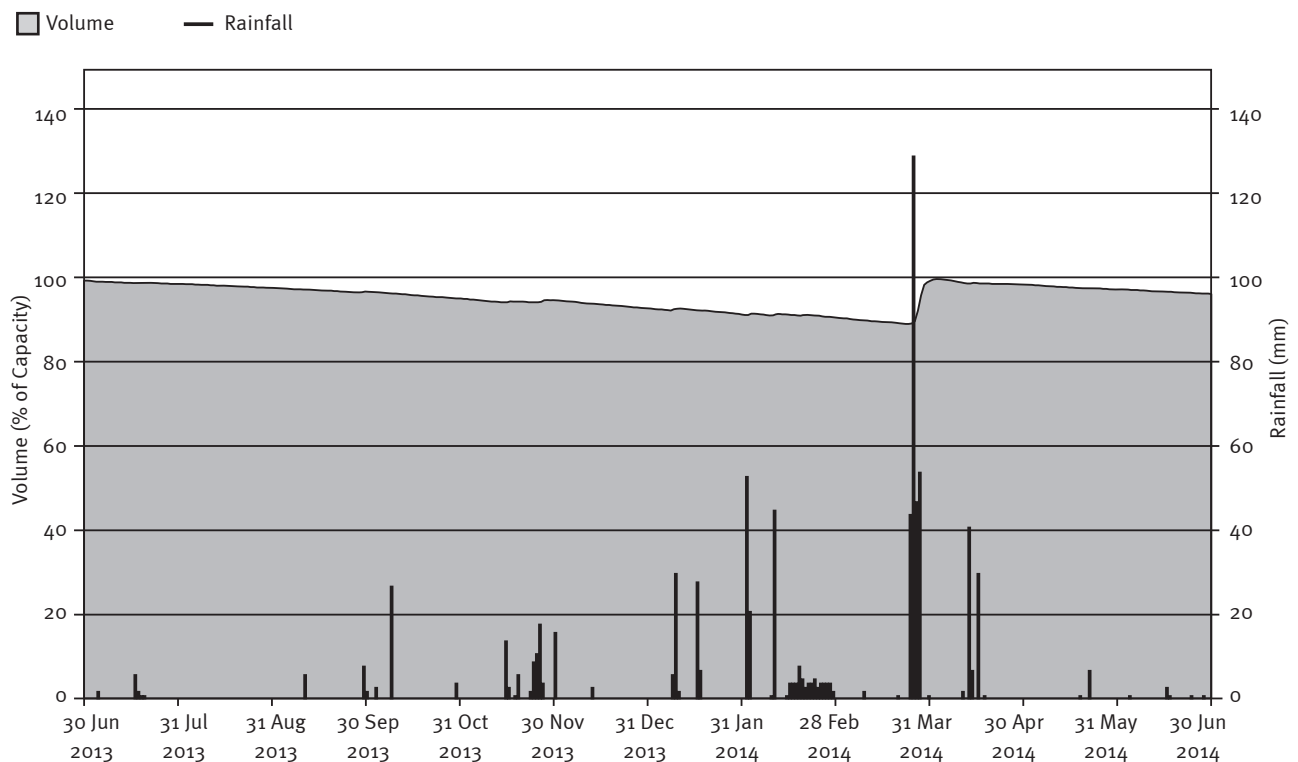
The WRP sets out the strategies for the sustainable allocation and management of water, and is implemented in accordance with the Boyne River ROP. GAWB's ROL was revised for wording consistency with the Boyne River ROP and reissued in May 2014 as the Awoonga ROL. No substantive changes were required to GAWB's operational and reporting processes to ensure ongoing compliance with the WRP, Boyne River ROP and Awoonga ROL.

An average 767mm of rain was recorded at monitoring stations in the Boyne River catchment above Lake Awoonga over the year to 30 June 2014 (2012/13: 1,634 mm), slightly less than the mean annual rainfall (approximately 850 mm). Inflows into Lake Awoonga in the period were approximately 115,000 ML (2012/13: 2.75 million ML). 58,000 ML was released from Lake Awoonga for environmental purposes during 2013/14.

Date of peak inflow	Estimated Daily Inflow (ML)	Peak level in dam
28 March 2014	20,854 ML	39.94 m AHD on 2 April 2014

Awoonga Dam was near full capacity throughout the reporting year. The water level on 30 June 2014 was 39.53 m AHD. This corresponds to a storage volume of 745,441 ML or 95.96% of full supply level (40.0m) capacity. The lowest level during the reporting period was 38.67 m (88.84% of capacity).

Figure 1: Awoonga Dam Level and Rainfall Data – June 2013 to June 2014

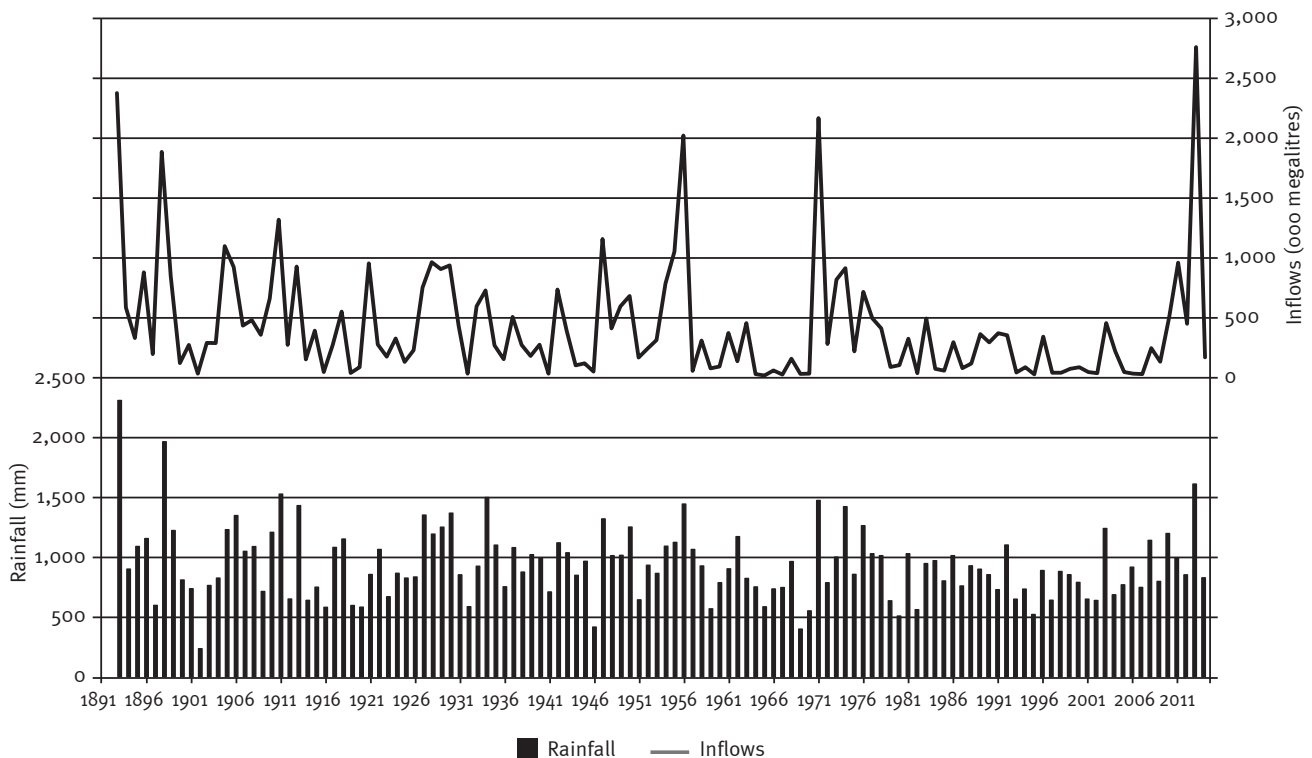


Review continued

Historical storage levels

Storage Level	Date	Level (m AHD)	Volume (ML)	Capacity (%)	Surface area (ha)
Storage as at	30 June 2014	39.53	745,441	95.96	6,594
Level one year ago	30 June 2013	39.90	770,113	99.13	6,740
Level two years ago	30 June 2012	39.84	766,069	98.61	6,716
Level three years ago	30 June 2011	40.03	778,900	100.26	6,791
Lowest level (before Cyclone Beni)	4 February 2003	20.84	57,803	7.44	1,298
Second lowest level	3 February 2008	29.11	253,372	32.62	3,204
Initial overflow of 40 m spillway	12 December 2010	40.00	776,854	100.00	6,779
Second highest level	28 December 2010	44.09	1,089,510	140.25	8,615
Highest level	27 January 2013	48.30	1,498,586	192.90	10,810

Figure 2: Rainfall and Inflow Data 1893 to 2014



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

Water quality

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

GAWB supplies potable water under an approved DWQMP. GAWB reviewed its DWQMP and submitted its first DWQMP Annual Report in late 2013, meeting approval conditions of the plan. Amendments to the DWQMP proposed by GAWB were approved in June 2014.

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

GAWB has a comprehensive monitoring program for water quality from the source water, Lake Awoonga, through to the customer delivery point. Drinking water quality has remained compliant with Australian Drinking Water Guidelines and GAWB's DWQMP throughout the year.

Review continued

Operations and asset management

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

GAWB continued improvements to the AMS during the year, including completion of a full analysis of its maintenance tactics, asset life cycle maintenance plans and cataloguing of inventory. The planned overhaul of the two main pumps at the Awoonga Dam Pump Station was completed in September 2013 when Pump 2 was successfully recommissioned.

The Operations & Maintenance Business Unit was restructured along functional lines in June 2014, when a dedicated Maintenance Superintendent was recruited to lead the asset maintenance teams.

Network planning and renewals

GAWB maintains a network model and regularly reviews the capacity and condition of its treatment plants and raw and potable water delivery systems to ensure that customers' contracted requirements can be met. Upgrade works currently in progress include:

- » process optimisation and common upgrades at the GWTP to ensure water quality when the plant is operating at maximum capacity
- » replacement of the electrical switchboard and pump station reconfiguration at the GWTP and
- » structural refurbishment of reservoirs and pump stations.

Land management

Tenure management

GAWB owns and manages significant land holdings (about 23,000 hectares) in the Boyne Valley to support its water supply activities. GAWB implements a comprehensive land management approach which includes the disposal of surplus land and targets the amalgamation of its land holdings in the Lake Awoonga impoundment under a single freehold title.

During 2013/14 land management activities focussed on:

- » the identification of land over which access rights or title may be required and prioritising acquisitions and other actions to ensure the protection of existing and proposed GAWB infrastructure
- » the disposal of approximately 7,000 hectares of land in the Boyne Valley, now surplus to GAWB's expected needs
- » ensuring that GAWB fulfils its duty of care obligations under the *Aboriginal Cultural Heritage Act 2003* and
- » codification of governance practices over GAWB's land management activities in a new Land Management Plan.

Catchment management

The main risks for the raw water quality in Lake Awoonga are the land uses and environmental features of the upper Boyne River catchment, over which GAWB has limited control. GAWB is an active member of the Fitzroy Basin Association's Boyne Calliope Catchment Management Group, which promotes neighbouring landholder activities that maintain and improve water quality, riparian fencing and off-stream watering points for cattle. GAWB also actively monitors development activities above Lake Awoonga, and makes submissions and representations directed to ensuring that such activities are suitably conditioned to minimise risks to receiving watercourses within the catchment.

Vegetation regeneration project

GAWB's Vegetation Regeneration Project (required by the EIS for the 2002 Awoonga Dam raising) aims to regenerate and protect 300 hectares of previously cleared land classified as supporting endangered ecosystems. The project has progressed well with excellent survival and growth rates being achieved. Flora and fauna surveys have confirmed the increasing diversity and habitat complexity of the sites over time, and the project has achieved the required goal of remnant status with significant habitat value.

Weed and pest animal management

GAWB has implemented a Weed and Pest Animal Management Plan for land it owns and manages in the Boyne Valley around Lake Awoonga, and actively participates in:

- » the GRC Boyne Valley Working Group
- » the Capricorn Pest Management Group and
- » GRC co-ordinated programs for the control of wild dogs and pigs.

Fire management

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

Review continued

Agistment management

GAWB continues to use best practice land management for grazing and works closely with neighbours and agistees. Inspections are regularly performed to ensure that adequate ground coverage is maintained. GAWB continues to amalgamate less viable agistments with adjoining lands to reduce continual grazing, and promotes rotational grazing (where possible) with adjoining land-holders.

Conservation management

An updated Conservation Management Plan was prepared during the year for the heritage-listed Glengarry Homestead.

Fishery management

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

GAWB collected barramundi, sea mullet and mangrove jack broodstock during 2013/14 to replace current stock, to ensure continuity of hatchery spawning activities whilst contributing to the genetic diversity of the Lake Awoonga population. GAWB produced 311,000 fingerlings, of which 100,000 were sold to restocking groups and aquaculture ventures in the region. In addition to the fingerling sales, GAWB sold 150,000 larvae to private aquaculture ventures.

During the year, 211,000 barramundi and 61,000 mullet fingerlings were released into Lake Awoonga. In total, GAWB has released more than five million fish (barramundi, mullet, mangrove jack, bream and saratoga) into Lake Awoonga since the stocking program commenced in 1996. Barramundi captures in the lake by local and visiting recreational fishermen have become more frequent, steadily re-establishing Lake Awoonga as a premier impoundment fishery.

GAWB regularly monitors the ongoing appropriateness of the levels of expenditure associated with the operation of the hatchery in line with its Fisheries Management Plan to assess how best to comply with its obligation to stock the lake.

GAWB continued its Turtle Triage operations during 2013/14, in conjunction with an LNG proponent. The establishment of the facility was funded under an agreement with the LNG proponent. Operational costs (including labour and other operating costs) are also part of the funding agreement. To date there have been 15 turtles admitted to the triage: 10 have been successfully rehabilitated and released, and two remained in care at 30 June 2014.

Recreation and other facilities

GAWB provides recreational facilities in the Boyne Valley which are well utilised by locals and visitors, and are provided free of charge. Additionally GAWB has a commercial lease in place for the caravan park at the Lake Awoonga Recreation Area. Licences are provided for appropriate commercial and community benefit operations, and leases/licences are in place with five community groups. In line with GAWB's regulatory framework, regular monitoring is carried out to ensure that the level of expenditure associated with the provision of recreational facilities remains appropriate.

Review continued

Commercial results

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

Financial

GAWB earned a net profit after tax equivalents of \$10.558 million for the year ended 30 June 2014 (2012/13: \$8.345 million).

Full year water revenue totalled \$67.382 million (62,780 ML reserved; 46,821 ML supplied) (2012/13: \$54.212 million (60,926 ML reserved; 47,685 ML supplied)) compared to the target for the year of \$64.417 million (61,007 ML reserved; 53,637 ML supplied).

Net cash generated by operating activities totalled \$21.414 million, (2012/13: \$20.824 million) resulting in GAWB's cash position increasing by \$12.051 million to \$29.030 million at 30 June 2014.

Capital expenditure for the year totalled \$18.253 million (including Curtis Island Pipeline Project expenditure of \$5.092 million).

Total equity has increased to \$291.241 million at 30 June 2014 (\$273.725 million at 30 June 2013). Additional borrowings of \$28.600 million were drawn down during the year and repayments amounted to \$6.453 million. GAWB's debt/equity ratio was 45% at 30 June 2014.

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 (over the course of its various investigations) that have been accepted by the QCA Ministers. During 2013/14, GAWB engaged with the QCA, DEWS and Treasury on the draft terms of reference for the 2015 Price Monitoring Investigation, and commenced development of GAWB's submissions.

Review continued

Corporate citizenship

GOAL: To be regarded as a responsible corporate citizen

Safety

GAWB recorded zero LTIs in 2013/14. GAWB is focussed on the continuous improvement of its safety and assurance systems and on achieving its goal of no LTIs by actively encouraging the reporting of all potential hazards and near misses through proactive safety interactions. Investigations are completed for all incidents and improvements recommended by investigations are implemented. As at 30 June 2014, GAWB had operated for 712 days without recording any LTIs.

Environmental responsibility

GAWB was compliant with environmental legislation and the monitoring, reporting and release requirements of its ROL, with no breach notices being received. Environmental stewardship and responsibility is integral to GAWB's operations.

As the Port Curtis Integrated Monitoring Program (PCIMP) supplies water monitoring data to the Gladstone Healthy Harbour Partnership (GHHP), GAWB ceased its sponsorship of PCIMP and commenced sponsoring GHHP on the formal signing of the GHHP agreement during the year.

GAWB maintained its membership of local pest management groups, rural fire brigade (including management of the Lake Awoonga Rural Fire Brigade) and representation on the Fitzroy Basin Association.

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

Community relations

During the year, GAWB received four community complaints in relation to GAWB's service/product (two water leaks and two relating to conditions of community facilities at Boynedale Bush Camp). These complaints were investigated promptly with actions resulting in a satisfactory outcome for both GAWB and the community.

Expenditure on activities of a 'good corporate citizen' nature during the 2013/14 financial year principally comprised the following sponsorships of community activities and publications in the Gladstone region:

	\$
Community event sponsorships	1,112
Gladstone Healthy Harbour Partnership subscription	10,000
Sponsored advertisements in community publications with a focus on water saving/safety/emergency management	5,850
Total	\$16,962

GAWB also supports the Cluden Wildlife Management Unit with the provision of facilities on GAWB land in the Boyne Valley for the rehabilitation of sick, injured or orphaned native animals and is a member of Gladstone Area Promotion and Development Limited.

Review continued

Capability

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

People and culture

82.7% of GAWB's permanent staff at 1 July 2013 remained in employment with GAWB at 30 June 2014. GAWB was able to engage replacement staff for the positions vacated during the year or reshaped existing roles to meet the requirements of the business.

GAWB completed an internal staff satisfaction survey during the year and the result showed a satisfaction rating of 5.2/7 compared to a target of 5.7/7 (2012/13: 5.1/7). The outcome is considered a good result having regard to the higher staff turnover experienced in 2013/14.

Appropriate resourcing

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

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

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

At 30 June 2014, GAWB employed a total of 86 employees (81.3 FTE), up from 82 (79 FTE) at 30 Jun 2013. This net increase was principally due to the recruitment of additional Operations & Maintenance technical and supervisory staff.

Health and well-being

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

Employing office

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

Review continued

Systems and knowledge

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

Following the May 2014 amendment of the WSSRA, GAWB has revised its reporting systems to align with the amended regulations and Departmental administrative arrangements, and current AMS and operational system capabilities. The Drought Management Plan (DMP) and Strategic Asset Management Plan (SAMP), which continue to be required under GAWB's water supply agreements with its customers, will be reviewed and updated in 2014/15.

Information and communication technologies

GAWB has been investigating better ways to access and use information, communication and technology (ICT) services. This includes exploration of the cost effectiveness of changing to a cloud hosted model for applications, and documenting all current business processes in preparation for the selection and implementation of new ERP business software.

GAWB's internet presence was refreshed by a redesign of its external web page that also incorporates automated updates from the operational database – Supervisory Control and Data Acquisition (SCADA). GAWB is also preparing for the release of more customer-centric information to its major customers through a newly developed customer portal within the new website.

Risk management

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

GAWB undertakes an annual review of its Corporate Risk register, and senior management review GAWB's risk registers and report to the CEO on a monthly basis regarding significant risks, risk exposure and the mitigation of risks that may/will arise.

Directions, notices and other statutory requirements

During the year ended 30 June 2014, GAWB did not receive any directions or community service obligation notices.



Goals for 2014/15

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

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

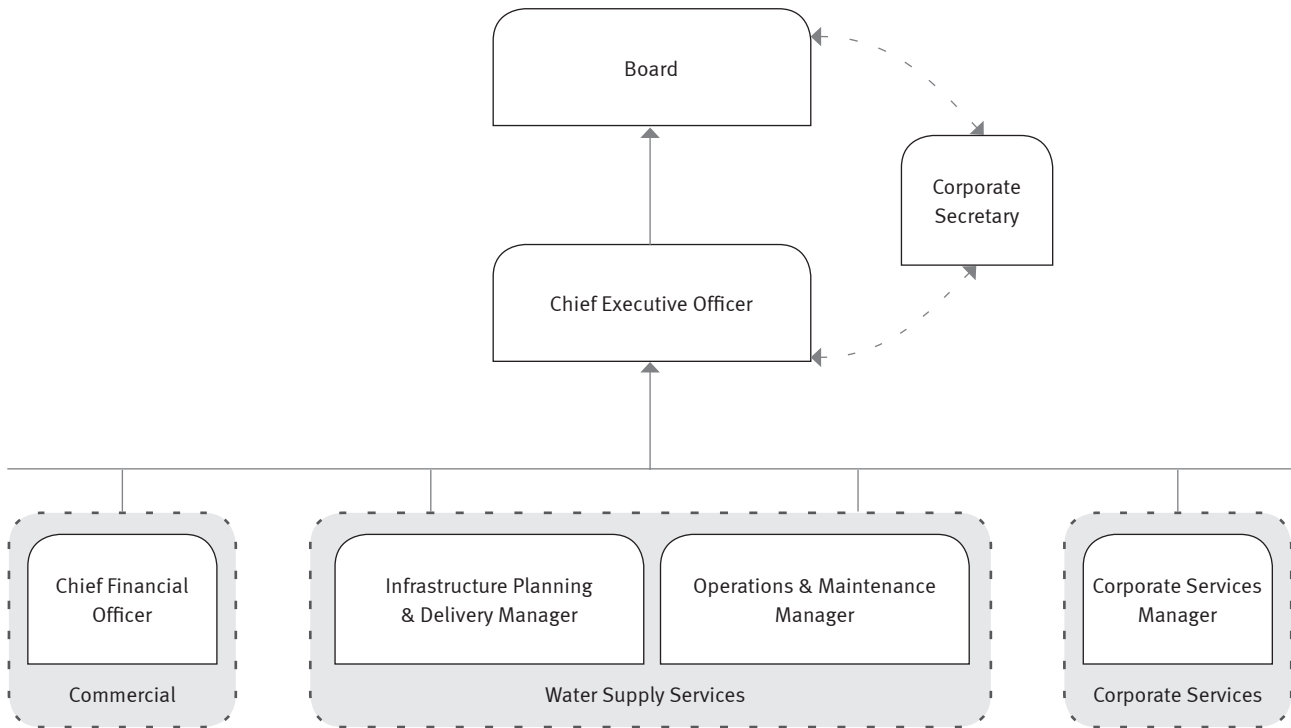
Each of the four business goals is supported by a number of KPMs, business improvement projects and initiatives that are set out in GAWB’s 2014/15 Performance Plan.

The table below identifies GAWB’s key business improvement processes and initiatives for 2014/15. Progress against each of these projects will be included in GAWB’s quarterly reports to the Minister and will reference the milestones articulated in the respective project plans/business cases.

Project	Description
2015 Price Monitoring Investigation	GAWB will make submissions by 30 September 2014 and respond to the QCA’s findings.
Maximum Daily Quantity (MDQ) Introduction	GAWB will further develop its strategy for the implementation of invoicing based on maximum daily quantities, incorporating feedback received from customers during the current shadow billing phase.
Customers	GAWB will further develop relationships with customers to build mutual understanding of customer needs and critical risks, including the timelines for delivery of required supply augmentation and network development projects.
Administrative Excellence and Technology Utilisation	GAWB will focus upon achieving enhanced capability through leadership and commitment to administrative excellence, improvements and efficiencies in work processes and collaboration across different workplaces, supported by the utilisation of appropriate enabling technology.
Asset Management System	GAWB will maintain its focus on the management of its assets including continued improvement and development of the asset management system, with a view to achieving early certification under ISO 55001:2014.

Governance

Organisational structure in 2013/14



Governance continued

Executive management



Jim Grayson LLB, LLM, ACIS, PGradDipComm, F Fin Chief Executive Officer

Jim has been the Chief Executive Officer of GAWB since early 2006, having commenced employment with GAWB in 2003. Prior to joining GAWB, he 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. He served on the Board of the Gladstone Economic Industry Development Board from 2006 to 2012 and as a member of the advisory Board of the University of Central Queensland's Centre for Environmental Management. He is presently a director of the Water Services Association of Australia (the peak body for the Australian urban water industry), is the Chair of WSAA Healthy Liveable Communities committee, Chair of the AWA Water Management Law and Policy Specialist Network committee and a member of the advisory panel for the Gas Industry Social and Environmental Research Alliance.



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

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



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

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



John Tumbers GradDipMainMgt Operations & Maintenance Manager

John was appointed to the position of Operations & Maintenance Manager in February 2013. John leads the Operations & Maintenance Team accountable for the operation of the bulk raw and potable water supply networks. John's portfolio also includes the management of GAWB-owned recreation facilities at Lake Awoonga, Lake Awoonga catchment and land tenure. John has a career background in maintenance in the power generation, and resource sectors in NSW, SA, Qld and WA. Prior to joining GAWB, John was Maintenance Manager for the Port Hedland Port Authority, which operates a major bulk export port in Western Australia.



Gary Larsen JP (Qual) Corporate Services Manager to 30 June 2014

Gary joined GAWB as Corporate Secretary in May 2006 and continued in this role until December 2011. In October 2010 he assumed the role of Corporate Services Manager, and was responsible for the areas of legal, land, ICT, compliance, governance, risk, procurement, records management and disaster management up to 30 June 2014. A restructure of business units was implemented effective 1 July 2014 with these responsibility areas being dispersed to other business units.

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



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

Mark was reappointed to the position of Corporate Secretary in December 2011, having previously served as Corporate Secretary and Strategic Planning Manager in 2002–2004. In this role, Mark provides support to the Board of Directors while also providing leadership in the area of corporate governance across GAWB. He has held senior executive, governance, audit, accounting, finance and strategic planning positions in the private and public sectors in Australia and the United Kingdom, including more than 21 years experience as a company secretary (with GAWB, Queensland Motorways Limited and the listed QCT Resources Limited Group).



Governance – Board and Committees

Board of Directors and its Committees

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

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

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

Three standing committees assisted the Board in discharging its functions in 2013/14 by providing oversight and facilitating a more detailed analysis of the specialised areas of finance, risk, audit, employment and remuneration, and capital and other works. Each committee is governed by a charter and reports to the Board following committee meetings.

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

Composition of the Board

The sections of the Act dealing with the number and method of appointment of GAWB Directors were amended in 2013 with the result that, when GAWB Directors were next appointed:

- » the number of Directors would be reduced from seven to five
- » the number of Directors nominated by GRC would be reduced from four to one
- » the number of Directors nominated by the Chief Executive of DEWS would be increased from three (including the Board's Chairperson) to four and
- » the Chairperson could be chosen by the Chief Executive of DEWS from any of the Directors.

Of the seven GAWB Directors who held office throughout the majority of 2013/14, five ceased to hold office on 27 June 2014, when replacement Directors were appointed by the Governor in Council for terms of between six months and three years. One Director was nominated by the GRC. The Chief Executive of DEWS nominated the remaining four Directors, including the Board's Chairperson.

Conflicts of interest

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

Board processes

The Board of Directors of GAWB meets on a monthly basis and more regularly as circumstances require. During 2013/14 the Board met on 15 occasions.

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

Governance – Board and Committees continued

Audit & Risk Management Committee

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

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

During 2013/14, the A&RM Committee comprised Ms Boydell (Chairperson) and, until their retirement on 27 June 2014, Ms Hodge and Mr Butler. The Committee meets quarterly and otherwise as required and met on six occasions during the year. The CEO, other senior executives, external auditors and internal auditors are invited to attend A&RM Committee meetings at the discretion of the Committee.

From 23 July 2014, the Committee comprises Ms Boydell (Chairperson), Mr Cook and Mr Leinster.

Internal audit

The role of internal audit is to provide independent, objective assurance and advice designed to add value and assist GAWB in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the appropriateness and effectiveness of risk management and internal control. Internal audit is a fundamental part of corporate governance that ensures that the organisation operates effectively, efficiently and economically. The A&RM Committee acts as a forum to oversee the planning, performance and reporting of the internal auditor.

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

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

Works Committee

The Works Committee, which was discontinued with effect from 30 June 2014, provided assurance and advice to the Board on technical issues and on matters relevant to GAWB's capital and other works programs. Its responsibilities included monitoring actions arising from external review and internal audit findings on processes related to operational and capital works, and technical matters such as the Dam Safety Regulator condition audits, five year Dam Safety review, major capital projects and other operational matters as they arose.

During 2013/14, the Committee comprised Mr Mulheron (Chairperson), Mr Dinte and Mr Leinster. It met on four occasions during the year.

Human Resources & Remuneration Committee

The Human Resources & Remuneration (HR&R) Committee, which was also discontinued with effect from 30 June 2014, was responsible for the provision of assurance and advice to the Board on matters relevant to the employment and remuneration of GAWB staff, including:

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

During 2013/14, the HR&R Committee comprised Mr Cameron (Chairperson), Mr Dinte and Mr Mulheron. It met on three occasions during the year.



Remuneration

The GAWB Remuneration Policy has the following aims:

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

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

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

In setting pay levels, GAWB has adopted total employment cost 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. Under the performance management system, the outcome of the assessment of an individual's performance has a direct and clear linkage to remuneration. 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, endorses the initial appointment and remuneration of direct reports to the CEO and the remuneration of such employees annually and oversees the process for the annual review of grade remuneration ranges.

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

GAWB's capability framework and plan (which identifies core and key competencies necessary for the delivery of its objectives) was completed during the year. This capability framework assists in managing internal resources' professional and operational training/development programs to ensure that they have or can obtain the core/key or enabling competencies considered necessary to achieve the goals and objectives identified in GAWB's Performance Plans.

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



Governance – Reporting

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

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



Governance – Other significant issues

Consultancies

No consultants provided services to GAWB during the 2013/14 reporting year. This information is also published online on the Queensland Government Open Data website (qld.gov.au/data).

Overseas travel

In February 2014, GAWB's CEO attended meetings of the Board and members of the Water Services Association of Australia (WSAA) in Auckland, New Zealand after the appropriate departmental approvals were obtained in accordance with the overseas travel policy. The CEO is one of two Queensland Directors of WSAA. His attendance at the WSAA Board and members' meetings in Auckland provided further opportunities for discussion of common issues and information sharing, and for input to strategic developments in the water sector. The amounts incurred for this travel (including travel, accommodation and incidental on-costs such as meals etc) totalled \$1,481 and were funded by GAWB. No other overseas travel was undertaken during the 2013/14 reporting year.

This information is also published online on the Queensland Government Open Data website (qld.gov.au/data).

Corporate hospitality and entertainment

The staff annual Christmas function and the Management/Directors annual function occurred in December 2013. These functions were appropriately managed to ensure adherence with the corporate hospitality and entertainment guidelines and thresholds. Items of hospitality requiring disclosure are reported to the Minister in GAWB's Quarterly Reports. There were no items requiring disclosure during the 2013/14 year.

Recordkeeping

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

Public Sector Ethics Act 1994

The GAWB Code of Conduct gives a shared vision of the general business ethics and acceptable standards of professional behaviour that is expected of officers and employees. The Code of Conduct is based on five ethical principles and covers general behaviour expectations, fraud and corruption responsibilities, including ethics and conflict of interest. Application of these ethical principles assists to further improve GAWB's business and to project a positive image of professionalism and integrity to the wider community. The Code applies to all GAWB Board members and employees, who are given access to appropriate education and training about public sector ethics (including the operation of the *Public Sector Ethics Act 1994* and the content of the GAWB Code of Conduct) as part of an induction program, and at regular intervals during their service or employment as determined by the Chief Executive Officer. GAWB's administrative procedures and management practices have proper regard to the *Public Sector Ethics Act 1994* and the Code of Conduct.

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).



Five year summary

	2010	2011	2012	2013	2014
<i>(megalitres)</i>					
Water sales (volumetric):					
Raw water	36,954	31,861	30,994	36,245	34,315
Potable water	10,324	9,217	11,150	11,440	12,506
Total	47,188	41,078	42,144	47,685	46,821
<i>(thousands of dollars)</i>					
Water sales revenue ¹	28,151	42,465	50,946	54,212	67,382
Total revenue	28,635	47,078	58,968	57,756	69,595
Depreciation and amortisation	(6,744)	(7,291)	(10,565)	(13,623)	(15,162)
Earnings before interest and tax	(1,856)	19,015	27,270	23,280	31,415
Profit/(loss) before tax	(10,293)	8,767	17,235	12,003	15,025
Income tax (expense)/benefit	3,237	(2,908)	(5,171)	(3,658)	(4,467)
Profit/(loss) after tax	(7,056)	5,859	12,064	8,345	10,558
Total equity	232,823	248,154	262,193	273,725	291,241
Total assets	421,257	455,063	534,442	555,835	587,933
Borrowings	139,659	146,170	206,830	211,773	234,015
Cash from operations before tax	3,200	13,256	27,636	28,828	26,296
Income tax (paid)/refunded	241	–	(2,786)	(8,004)	(4,882)
Cash from operations after tax	3,441	13,256	24,850	20,824	21,414
Cash flow capital expenditure	10,320 ²	11,417 ²	51,113 ³	55,477 ³	23,422 ³
<i>(percent)</i>					
Return on assets	(0.47)	4.34	5.51	4.27	5.49
Return on equity	(3.32)	2.43	4.73	3.11	3.74
Debt/equity ratio	37	37	44	44	45
<i>(times)</i>					
Cash flow interest cover ratio	1.37	2.16	3.29	3.33	2.61

¹ Including connection charges.

² Capital expenditure is net of capital subsidies received and includes gross expenditure incurred on CSS (capitalised as an intangible asset – refer Note 3(e) to the financial statements).

³ Includes expenditure on intangible assets and excludes capitalised interest.



Gladstone Area Water Board Financial statements

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Statement of profit or loss and other comprehensive income

for the year ended 30 June 2014

	Notes	2014 \$000	2013 \$000
Water supply		56,288	54,212
Curtis Island infrastructure and operating charges		11,094	1,029
Total water revenue		67,382	55,241
Grants and other contributions		1,392	1,632
Curtis Island Project recoveries		120	355
Other income	5	701	528
Total revenue		69,595	57,756
Chemicals		(738)	(747)
Consultants		-	-
Contracted, professional, technical and other services		(2,656)	(2,635)
Curtis Island Project outlays		(120)	(356)
Electricity		(2,250)	(1,940)
Insurance		(743)	(818)
Labour and on costs	8	(9,201)	(9,217)
Loss on disposal of assets		(565)	(193)
Maintenance		(2,840)	(1,616)
Minor asset purchases		(509)	(335)
Motor vehicle expenses		(805)	(749)
Rates		(197)	(240)
Depreciation	6	(12,366)	(10,085)
Amortisation	7	(2,796)	(3,538)
Other expenses		(2,394)	(2,007)
Total expenditure		(38,180)	(34,476)
Results from operating activities		31,415	23,280
Finance income	10	364	1,079
Finance costs	10	(16,754)	(12,356)
Net finance costs		(16,390)	(11,277)
Profit/(loss) before income tax equivalents		15,025	12,003
Income tax equivalents (expense)/benefit	11	(4,467)	(3,658)
Profit/(loss) for the year		10,558	8,345
Other comprehensive income			
Increase in asset revaluation surplus	12	14,708	8,000
Deferred tax on revaluations	12	(4,412)	(2,400)
Total other comprehensive income		10,296	5,600
Total profit/(loss) and comprehensive income		20,854	13,945
Items that may be reclassified to profit or loss		-	-
Total items that may be reclassified to profit or loss		-	-
Total comprehensive income for the year		20,854	13,945

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

Statement of changes in equity

for the year ended 30 June 2014

	Notes	Contributed equity \$000	Asset revaluation surplus \$000	Retained earnings \$000	Total equity \$000
Balance at 1 July 2012	12	64,647	174,111	23,435	262,193
Comprehensive income for the period					
Operating result from continuing operations		-	-	8,345	8,345
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus	12	-	8,000	-	8,000
Reversal of asset revaluation increments on leasehold land		-	-	-	-
Deferred tax on revaluations	12	-	(2,400)	-	(2,400)
Transfer of increments on disposal of assets	12	-	(295)	295	-
Total comprehensive income for the period		-	5,305	8,640	13,945
Transactions with owners					
Equity contributions	12	-	-	-	-
Dividends paid		-	-	(2,413)	(2,413)
Total transactions with owners		-	-	(2,413)	(2,413)
Balance at 30 June 2013		64,647	179,416	29,662	273,725
Balance at 1 July 2013	12	64,647	179,416	29,662	273,725
Comprehensive income for the period					
Operating result from continuing operations		-	-	10,558	10,558
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus	12	-	14,708	-	14,708
Reversal of asset revaluation increments on leasehold land		-	-	-	-
Deferred tax on revaluations	12	-	(4,412)	-	(4,412)
Transfer of increments on disposal of assets	12	-	(397)	397	-
Total comprehensive income for the period		-	9,899	10,955	20,854
Transactions with owners					
Equity contributions	12	-	-	-	-
Dividends paid		-	-	(3,338)	(3,338)
Total transactions with owners		-	-	(3,338)	(3,338)
Balances at 30 June 2014		64,647	189,315	37,279	291,241

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

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

Statement of financial position

as at 30 June 2014

	Notes	2014 \$000	2013 \$000
Current assets			
Cash and cash equivalents	13(a)	29,030	16,979
Trade and other receivables	14	15,913	11,999
Inventory	15	502	567
Assets held for sale	16	130	1,625
Total current assets		45,575	31,170
Non-current assets			
Property, plant and equipment	6	516,127	497,577
Intangible assets	7	18,754	20,019
Deferred tax assets	24	7,452	7,052
Biological assets	17	25	17
Total non-current assets		542,358	524,665
Total assets		587,933	555,835
Current liabilities			
Trade and other payables	18	5,138	15,752
Loans and borrowings	19	7,844	6,192
Employee benefits	20	1,111	1,021
Provisions	21	128	128
Deferred income	22	1,391	1,632
Current tax liabilities	23	292	522
Total current liabilities		15,904	25,247
Non-current liabilities			
Loans and borrowings	19	226,171	205,581
Employee benefits	20	379	321
Deferred income	22	6,387	7,458
Deferred tax liabilities	24	47,155	42,528
Provisions	21	686	965
Other non-current liabilities	18	10	10
Total non-current liabilities		280,788	256,863
Total liabilities		296,692	282,110
Net assets		291,241	273,725
Equity			
Issued capital	12	64,647	64,647
Asset revaluation surplus	12	189,315	179,416
Retained earnings	12	37,279	29,662
Total equity		291,241	273,725

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

Statement of cash flows

for the year ended 30 June 2014

	Notes	2014 \$000	2013 \$000
Cash flows from operating activities			
Receipts from customers		64,635	60,261
Interest received		364	1,079
Payments to employees		(9,092)	(9,254)
Payments to suppliers and services		(13,509)	(11,746)
Borrowing costs paid		(16,118)	(11,778)
		26,280	28,562
GST paid to suppliers		(5,775)	(11,242)
GST input tax credits from ATO		6,095	12,258
GST collected from customers		2,380	6,270
GST remitted to ATO		(2,684)	(7,020)
Total GST		16	266
Income taxes (paid)/refunded		(4,882)	(8,004)
Net cash from operating activities	13(b)	21,414	20,824
Cash flows from investing activities			
Acquisition of property, plant & equipment		(22,510)	(54,795)
Interest paid on construction of property, plant & equipment		(191)	(2,740)
Acquisition of intangible assets		(912)	(682)
Proceeds from sale of property, plant & equipment		1,755	62
Costs on disposal of property, plant & equipment		-	(695)
Security deposits received		173	51
Security deposits paid/applied		(1,060)	(280)
Curtis Island advances on account		(5,427)	6,402
Net cash used in investing activities		(28,172)	(52,677)
Cash flows from financing activities			
Proceeds from equity contributions		-	-
Dividends paid		(3,338)	(2,413)
Proceeds from borrowings		28,600	11,700
Repayment of borrowings		(6,453)	(6,757)
Net cash from financing activities		18,809	2,530
Net increase in cash and cash equivalents		12,051	(29,323)
Cash and cash equivalents at 1 July		16,979	46,302
Cash and cash equivalents at 30 June	13(a)	29,030	16,979

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

Notes to the financial statements

for the year ended 30 June 2014

1. Reporting entity

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

2. Basis of preparation

(a) Statement of compliance

These 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*.

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

These financial statements were approved for issue by the directors on 28 August 2014.

(b) Basis of measurement

Historical cost convention

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

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

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

(c) Functional and presentation currency and rounding

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

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

(d) Use of estimates and judgements

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

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

Fair value measurement is applied to a number of GAWB's financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The transaction is presumed to take place in the principal market for the asset or liability or in the most advantageous market for the asset or liability that is accessible by GAWB. The asset must also be valued based on its highest and best use. Material valuation issues are reported to the Audit & Risk Management Committee.

Fair values are categorised into different levels in the fair value hierarchy based on the lowest level input significant to the valuation measurement as follows:

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

Transfers between fair value hierarchy levels are recognised at the end of the reporting period.

Financial liabilities (interest-bearing liabilities) are categorised as level 1, and property, plant and equipment are categorised as level 3. Further disclosures regarding level 3 financial assets are disclosed at Note 3(d)(ii), Note 4(b) and Note 6.

Notes to the financial statements

for the year ended 30 June 2014

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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

- Note 3(d) – Property, Plant and Equipment (useful lives and revaluation)
- Note 3(e) – Intangible Assets (useful lives)
- Note 3(h) – Impairment (of financial and non-financial assets)
- Note 3(i) – Employee Benefits
- Note 3(j) – Provisions
- Note 4 – Significant accounting judgements, estimates and assumptions
- Note 25 – Financial risk management.

3. Significant accounting policies

(a) Financial instruments

Non-derivative financial instruments

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

Recognition

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

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 sale of the asset. Financial liabilities are derecognised if GAWB's obligations specified in the contract expire or are discharged or cancelled.

Classification

Financial Instruments are classified and measured as follows:

Investments at fair value through profit or loss

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

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

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

Investments at amortised cost

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

- Trade and other receivables
- Trade and other payables
- Loans and borrowings.

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

(b) Inventories

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

Notes to the financial statements

for the year ended 30 June 2014

3. Significant accounting policies (continued)

(c) Assets held for sale

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Revaluations

Classes of assets measured at fair value are re-valued with sufficient regularity to ensure that the carrying value of each asset in the class does not differ materially from fair value at reporting date. The fair value of property, plant and equipment is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. GAWB has adopted an income based approach, where the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, to determine fair value. An allowance against the cost is made for the exhaustion of service potential for the existing item.

A comprehensive valuation is conducted at least every five years. In 2010, a comprehensive revaluation was undertaken on the basis outlined in Note 4(b).

In the intervening years (being 2011 to 2014 years), 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 movement for the year ending 31 March. Revaluations are brought to account where the existing carrying value differs materially to the current fair value using this income approach. In particular, 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 other comprehensive income.
- A revaluation decrement is recognised as an expense in other comprehensive income except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the relevant asset, the revaluation decrement is debited directly to the asset revaluation surplus.
- Where a revalued asset is subsequently sold or disposed, the associated revaluation increment recognised in the asset revaluation surplus is transferred to retained earnings.

(iii) Subsequent costs

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

(iv) Depreciation and impairment

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

Notes to the financial statements

for the year ended 30 June 2014

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iv) Depreciation and impairment (continued)

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

	2014	2013
Buildings and 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 and equipment	3–20 years	3–20 years
Motor vehicles	4 years	4 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date with movements recognised in profit or loss as applicable.

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

(v) Derecognition

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

(e) Intangible assets

(i) Research and development

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortisation and impairment

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

GAWB received the required environmental approvals for the Gladstone-Fitzroy Pipeline in 2011/12. On this basis, GAWB commenced recognising amortisation of this intangible asset as the asset is capable of operating in the manner intended by management. At 30 June 2014, the Lower Fitzroy River Infrastructure Project has not yet received environmental approvals with draft terms of reference for the Environmental Impact Statement to be re-issued incorporating both State and Commonwealth requirements. On this basis, this intangible asset is considered not yet capable of operating in the manner intended by management and therefore continues to not be amortised.

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

(f) Biological assets

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

Notes to the financial statements

for the year ended 30 June 2014

3. Significant accounting policies (continued)

(g) Leased assets

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

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

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

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

(h) Impairment

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Notes to the financial statements

for the year ended 30 June 2014

3. Significant accounting policies (continued)

(i) Employee benefits

(i) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that GAWB expects to pay within 12 months after reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to GAWB as the benefits are taken by employees.

(ii) Other long-term employee benefits

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

(iii) Superannuation contributions

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

(j) Provisions

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

(k) Revenue recognition

(i) Sale of goods

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

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

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

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

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

(ii) Services

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

(l) Finance income and costs

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

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

Notes to the financial statements

for the year ended 30 June 2014

3. Significant accounting policies (continued)

(m) Income tax

GAWB is subject to the National Taxation Equivalents Regime. Income tax equivalents on the profit or loss for the year comprise current and deferred tax. Income tax equivalents expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

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

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

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

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

(o) New standards and interpretations

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

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

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* – these standards establish a single source of guidance for determining the fair value of assets and liabilities including the use of a fair value hierarchy and requires enhanced disclosures about fair value measurement assumptions. Fair value measurements adopted by GAWB already meet the requirements of the standard. Additional disclosures have been added at Note 3, Note 6 and Note 25 to comply with AASB 13.
- AASB 119 *Employee Benefits (revised)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* – short term employee benefits can be reported as long term benefits where the nature is such that the expectations of timing of settlement will not be within 12 months (and not a temporary change). No change has been required in the measurement of annual leave benefits as the balance is materially settled within 12 months of reporting date. Clarification to the notes has been included to reflect the revisions to AASB 119.
- AASB 2011-4 *Amendments to Australian Accounting Standards to remove individual Key Management Personnel Disclosure Requirements* – allows the removal of all and any key management personnel disclosure requirements. Queensland Treasury and Trade Financial Reporting Requirements specify that this standard does not apply to Statutory Bodies.
- AASB 2012-2 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* – requires entities to disclose information for users to evaluate the potential effect of the right to set-off financial assets and the financial liabilities in anticipation of the application of AASB 2012-3 in the following financial year. There was no impact on GAWB regarding this accounting standard.

Notes to the financial statements

for the year ended 30 June 2014

3. Significant accounting policies (continued)

(o) New standards and interpretations (continued)

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

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

- AASB 9 *Financial Instruments (revised)*, AASB 2009-11, AASB 2010-7, AASB 2010-10, AASB 2012-6 and AASB 2013-9 – which amends the classification, recognition, derecognition and measurement of financial assets and liabilities. AASB 2013-9 amended the effective date from 1 January 2015 to 1 January 2017. An assessment of the likely impact of this standard will be made in the financial statements for 30 June 2016. The change is not expected to have any material impact.
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* – which clarifies when an entity has a legally enforceable right to set-off financial assets and financial liabilities and present the net position in the Statement of Financial Position. The change is not expected to have any material impact.

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

(p) Comparatives

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

4. Significant accounting judgements, estimates and assumptions

On 21 December 2010, the Premier and Treasurer (the QCA Ministers) published their decision in relation to the Queensland Competition Authority (QCA) investigation of GAWB's pricing practices for the 2010 Price Review, covering the regulatory period 1 July 2010 to 30 June 2015. The QCA Ministers accepted all of the recommendations made by the QCA without qualification. The QCA's monopoly price oversight of GAWB's business activities is integrated with the commercial framework under which GAWB operates.

(a) Recognition of water sales and connection charges revenue

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

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

(b) Comprehensive valuation of property, plant and equipment

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

- GAWB's assets are subject to economic regulation in the form of a price cap and it is assumed that they will continue to be subject to monopoly price oversight 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 period to June 2015 covered by the QCA's 2010 Final Report on GAWB's Pricing Practices. A residual value has been determined at the end of 2015.
- Revenue cash flows for the 2010–15 regulatory period assume a rate of return of 9.35% which represents the application, as at 30 June 2010, of the QCA's recommended post-tax WACC parameters in the 2010 Final Report. The assumed return is applied to a regulatory asset value consistent with the roll forward methodology adopted for the QCA's 2010 Final Report throughout the life of the assets.
- Pre-tax cash flows have been used in the forecasts of prudent and efficient operating costs and revenue. The projected cash flows have been discounted at a pre-tax rate of 9.53%.
- The residual value of the assets at 30 June 2015 has been determined using the best information available to estimate future cash flows and assumes that throughout the remaining useful life of the assets, there will be alignment with the market view as to both the required rate of return and the costs of operating the assets sufficient to recover the residual value. It is also assumed that any form of future regulation will ensure an owner of these assets will receive a sufficient return on equity after repayment of debt.
- The future cash flows incorporate an allowance for price rebates provided to certain customers, which generally equates to an amount comprising both return on investment and return of investment for those assets funded by those customers.

Notes to the financial statements

for the year ended 30 June 2014

4. Significant accounting judgements, estimates and assumptions (continued)

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

- 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 \$90.212 million which represents the cumulative under recovery or future value of the difference between the annual target or building block revenue and the smoothed price cap revenue over the current regulatory period. It is assumed that this amount will be recognised for price modelling purposes at the beginning of the next regulatory period consistent with current regulatory practice.
- Any unrealised capital gains from upwards revaluation of non-current assets are excluded from profit when determining dividend payable for a financial year in accordance with s.660(6)(b) of the *Water Act 2000*.

For the 30 June 2014 revaluation, the movement in March consumer price index (CPI) (Brisbane All groups) of 3.137% (2013: 2.102%) was applied to assets held since 1 July 2013 and on hand as at 30 June 2014, consistent with the increase in customer prices and indexation of the regulated asset base (RAB). The fair value measurement for property, plant and equipment of \$516.127 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

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

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

The recoverable amount of the CGU has been determined on a value in use basis. As GAWB is a monopoly business and subject to oversight by the QCA, the value in use has been determined on a 1 year discounted cash flow model, being the regulatory period remaining until the next QCA pricing investigation. As the useful life of assets exceeds the value in use period, a terminal value is used to represent the future cash flows assuming the continuation of current regulatory practices. Where there is uncertainty at the measurement date that the terminal value for an asset can be supported by estimated future cash flows, a probability factor of the future cash flows has been applied to the terminal value.

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

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

The value in use of the CGU for 2013/14 has been calculated after considering the following:

- Revenue cash flows are a result of prices determined in accordance with the pricing practices set out in the QCA 2010 recommendations. Prices used to generate revenue cash flows are based on the prices applicable from 1 July 2014 indexed at the estimated CPI annual increase as used in the current Corporate Plan.
- No terminal value or cash flows have been included in the CGU value for the component of CSS expenditure that is not allowed to be recovered in customer prices from 1 July 2010. These amounts not currently being recovered in customer prices are being capitalised at WACC for regulatory purposes until a decision is made on whether or not to construct the asset and/or recover these costs through customer 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 9.53%.
- The present value calculation includes the following terminal asset values, which represent future cash flows assuming the continuation of current regulatory practices:

The notional value of the RAB at 30 June 2015 is calculated as the opening RAB value less depreciation plus capital expenditure for replacement of existing assets plus inflationary gain for the 1 July 2010 to 30 June 2015 regulatory period and results in a notional terminal value of \$444.732 million at 30 June 2015. Offset against this value is the notional terminal value of customer rebates at 30 June 2015 of \$39.982 million.

A notional terminal value of \$88.235 million has been included representing the notional terminal value of the Curtis Island Assets at 30 June 2015. Revenue relating to this infrastructure has been included in the revenue cashflows.

A notional terminal value of \$2.668 million has been included for the regulatory working capital allowance.

A terminal value of \$90.212 million has been included representing the cumulative under recovery or future value of the difference between the annual target or building block revenue and the smoothed price cap revenue over the regulatory period.

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

Notes to the financial statements

for the year ended 30 June 2014

4. Significant accounting judgements, estimates and assumptions (continued)

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

The outcomes of the impairment assessment for the year ended 30 June 2014 resulted in:

- No further impairment loss being recognised in relation to the carrying value of land, buildings and improvements and infrastructure assets (2013: \$Nil).
- No further impairment loss being recognised in relation to the carry value of intangible assets (2013: \$Nil).
A possible impairment recoupment of \$2.552 million (2013: \$1.600 million) for the intangible asset which was not reversed in the Statement of Comprehensive Income as there was not an associated increase in the estimated service potential of the intangible asset.

	2014	2013
	\$000	\$000
5. Other income		
Lease income, rents and royalties revenue	295	338
Gain on sale of assets	245	42
Other	161	148
	701	528

6. Property, plant and equipment

Land, buildings & improvements		
Land:		
At directors' valuation	11,460	9,766
Buildings & improvements:		
At directors' valuation	18,988	17,470
Accumulated depreciation	(8,296)	(7,510)
Total land, buildings & improvements	22,152	19,726
Infrastructure assets		
At directors' valuation	599,345	564,908
Accumulated depreciation	(117,695)	(103,336)
Total infrastructure assets	481,650	461,572
Minor plant & equipment		
At cost	6,050	5,445
Accumulated depreciation	(2,899)	(2,339)
Total minor plant & equipment	3,151	3,106
Motor vehicles		
At cost	105	105
Accumulated depreciation	(46)	(26)
Total motor vehicles	59	79
Assets under construction		
At cost	9,115	13,094
	516,127	497,577

Notes to the financial statements

for the year ended 30 June 2014

6. Property, plant and equipment (continued)

Reconciliation	Land, buildings & improvements \$000	Infrastructure assets \$000	Minor plant & equipment \$000	Motor vehicles \$000	Assets under construction \$000	Total \$000
Carrying amount at 1 July 2012	17,684	373,009	3,263	95	47,700	441,751
Additions	–	278	27	–	57,809	58,114
Disposals	(91)	(87)	(25)	–	–	(203)
Transfers	2,307	89,740	364	4	(92,415)	–
Revaluation increment/(decrement)*	342	7,658	–	–	–	8,000
Depreciation	(516)	(9,026)	(523)	(20)	–	(10,085)
Impairment (loss)/reversal	–	–	–	–	–	–
Carrying amount at 30 June 2013	19,726	461,572	3,106	79	13,094	497,577
Carrying amount at 1 July 2013	19,726	461,572	3,106	79	13,094	497,577
Additions	–	–	–	–	16,722	16,722
Disposals	–	(512)	(2)	–	–	(514)
Transfers	2,465	17,605	631	–	(20,701)	–
Revaluation increment/(decrement)*	570	14,138	–	–	–	14,708
Depreciation	(609)	(11,153)	(584)	(20)	–	(12,366)
Impairment (loss)/reversal	–	–	–	–	–	–
Carrying amount at 30 June 2014	22,152	481,650	3,151	59	9,115	516,127

* Revaluation increment/(decrement) movements are disclosed in Other Comprehensive Income.

Categorisation of fair values recognised as at 30 June 2014	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Land, buildings & improvements	–	–	22,152	22,152
Infrastructure assets	–	–	481,650	481,650
Carrying amount at 30 June 2014	–	–	503,802	503,802

Deemed historical cost

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

	2014 \$000	2013 \$000
Land, buildings and infrastructure at deemed historical cost		
Land	8,237	6,819
Buildings	7,162	6,137
Infrastructure	344,712	328,445
Total cost	360,111	341,401

The 2013 comparatives have been restated to include the capitalisation of the Curtis Island Infrastructure in June 2013. The prior year financial statements incorrectly disclosed the following amounts which have now been corrected: Land \$6.434 million, Buildings \$6.137 million, Infrastructure \$239.191 million, Total \$251.762 million.

Notes to the financial statements

for the year ended 30 June 2014

	2014 \$000	2013 \$000
7. Intangible assets		
Software		
At cost	1,182	905
Accumulated amortisation	(878)	(772)
Total software	304	133
Land reservations		
At cost	104	52
Accumulated amortisation	–	–
Total land reservations	104	52
Easements		
At cost	419	452
Accumulated amortisation	–	–
Total easements	419	452
CSS development costs		
At cost	32,388	31,559
Accumulated amortisation	(8,313)	(5,623)
Accumulated impairment losses	(6,773)	(6,773)
Total CSS development costs	17,302	19,163
Assets under construction		
At cost	625	219
	18,754	20,019

	Software \$000	Land reservations \$000	Easements \$000	CSS development costs \$000	Assets under construction \$000	Total \$000
Balance at 1 July 2012	270	52	452	21,915	172	22,861
Additions	–	–	–	–	696	696
Disposals	–	–	–	–	–	–
Transfers	23	–	–	626	(649)	–
Amortisation	(160)	–	–	(3,378)	–	(3,538)
Impairment (loss)/reversal	–	–	–	–	–	–
Balance at 30 June 2013	133	52	452	19,163	219	20,019
Balance at 1 July 2013	133	52	452	19,163	219	20,019
Additions	–	–	–	–	1,531	1,531
Disposals	–	–	–	–	–	–
Transfers	277	52	(33)	829	(1,125)	–
Amortisation	(106)	–	–	(2,690)	–	(2,796)
Impairment (loss)/reversal	–	–	–	–	–	–
Balance at 30 June 2014	304	104	419	17,302	625	18,754

Notes to the financial statements

for the year ended 30 June 2014

	2014 \$000	2013 \$000
8. Labour and on costs		
Wages and salaries	6,645	6,394
Contributions to superannuation plans	726	688
Annual leave expense	629	645
Long service leave expense	162	146
On costs and other	262	308
Direct employment costs	8,424	8,181
Labour hire costs	393	460
Other labour related costs	384	576
Total labour and on costs	9,201	9,217

Other labour related costs includes staff training and conferences, rental assistance, recruitment expenses, staff uniforms and minor staff welfare expenditure.

GAWB employed 81.3 full-time equivalent employees as at 30 June 2014. This included both full-time employees and part-time employees, measured on a full-time equivalent basis.

Superannuation fund contributions

GAWB makes contributions to superannuation funds. The amount recognised as expense was \$0.726 million for the financial year ended 30 June 2014 (2013: \$0.688 million).

Workers' compensation insurance premium

The amount recognised as an expense for workers' compensation insurance was \$0.130 million for the financial year ended 30 June 2014 (2013: \$0.103 million).

9. Auditors' remuneration

Audit services

Queensland Audit Office		
Audit and review of financial reports	65	47

For the 30 June 2014 audit, the amount quoted for the audit fee was \$0.054 million. There are no non-audit services included in these amounts.

10. Finance income and expense

Interest income	364	1,079
Total finance income	364	1,079
Interest expense	(16,754)	(12,356)
Total finance costs	(16,754)	(12,356)
Net finance income/(expense)	(16,390)	(11,277)

Notes to the financial statements

for the year ended 30 June 2014

	2014 \$000	2013 \$000
11. Income tax equivalents		
Recognised in the statement of comprehensive income		
<i>Current tax equivalents (expense)/benefit</i>		
Current year	(5,794)	(3,732)
<i>Deferred tax equivalents (expense)/benefit</i>		
Origination and reversal of temporary differences	1,327	74
Total income tax (expense)/benefit	(4,467)	(3,658)
<i>Numerical reconciliation between tax expense and pre-tax net profit</i>		
Profit/(loss) for the year	10,558	8,345
Total income tax expense/(benefit)	4,467	3,658
Profit/(loss) excluding income tax equivalents expense	15,025	12,003
Income tax equivalents (expense)/benefit calculated at 30%	(4,507)	(3,601)
Income tax equivalents (under)/over provided in prior years	42	(55)
Non-deductible entertainment	(2)	(2)
	(4,467)	(3,658)

12. Capital and reserves

Contributed equity		
Balance at 1 July	64,647	64,647
Equity contributions	–	–
Balance at 30 June	64,647	64,647
Asset revaluation surplus		
Balance at 1 July	179,416	174,111
Revaluation increments/(decrements)	14,708	8,000
Deferred tax on revaluations	(4,412)	(2,400)
Transfer of increments on disposal of assets – net of tax	(397)	(295)
Balance at 30 June	189,315	179,416
<i>Asset revaluation surplus</i>		
The asset revaluation surplus relates to property, plant and equipment measured at fair value in accordance with applicable Australian Accounting Standards.		
Retained earnings		
Retained earnings at 1 July	29,662	23,435
Transfer of increments on disposal of assets	397	295
Dividends paid	(3,338)	(2,413)
Profit/(loss) for the year	10,558	8,345
Retained earnings at 30 June	37,279	29,662

Notes to the financial statements

for the year ended 30 June 2014

	2014 \$000	2013 \$000
13(a) Cash and cash equivalents		
Cash at bank	1,691	2,369
Deposits at Queensland Treasury Corporation, at call	27,339	14,610
	29,030	16,979
13(b) Reconciliation of cash flows from operating activities		
Operating profit/(loss) after income tax equivalents	10,558	8,345
Adjustment for: Depreciation	12,366	10,085
Amortisation	2,796	3,538
Net (gain)/loss on sale of property, plant and equipment	321	151
	26,041	22,119
Change in assets and liabilities:		
(Increase)/decrease in trade receivables	(3,925)	571
(Increase)/decrease in capital projects receivables	91	4,353
(Increase)/decrease in other receivables & prepayments	20	(1,102)
(Increase)/decrease in deferred tax assets	(400)	(590)
Increase/(decrease) in trade creditors	-	(1,783)
Increase/(decrease) in operating accruals	1,045	2,040
Increase/(decrease) in deferred tax liabilities	4,627	2,916
Increase/(decrease) in employee benefits	148	231
Increase/(decrease) in current tax liabilities	(230)	(4,271)
Increase/(decrease) in provisions	(279)	372
Increase/(decrease) in deferred income	(1,312)	(1,632)
Increase/(decrease) in tax re asset revaluation surplus	(4,412)	(2,400)
Net cash from operating activities	21,414	20,824

Notes to the financial statements

for the year ended 30 June 2014

	2014 \$000	2013 \$000
14. Trade and other receivables		
Current		
Trade receivables	8,752	4,827
Other receivables and prepayments	2,392	2,412
Capital project receivables	195	286
Capital project payments on account	4,574	4,474
	15,913	11,999

Refer to Note 25(b) Financial risk management (Credit risk) for an ageing analysis and details of impairment (if any).

15. Inventories

Balance at 1 July	567	228
Net increase/(decrease)	(65)	339
Balance at 30 June	502	567

16. Assets held for sale

Balance at 1 July	1,625	1,625
Additional land classified as held for sale	-	-
De-recognition of leasehold land	-	-
Disposal of land held for sale	(1,495)	-
Carrying amount at 30 June	130	1,625

17. Biological assets

Balance at 1 July	17	19
Net increase due to births/(deaths)	8	(2)
Balance at 30 June	25	17

Notes to the financial statements

for the year ended 30 June 2014

	2014 \$000	2013 \$000
18. Trade and other payables		
Current		
Trade creditors – operating	671	671
Trade creditors – capital	235	508
Accrued audit fees	54	50
Security deposits	599	1,487
Advances received – Curtis Island Pipeline project	–	5,130
Capital works accruals	17	5,194
Other accruals	3,562	2,712
	5,138	15,752
Non-current		
Security deposits	10	10

19. Loans and borrowings

Current liabilities		
Queensland Treasury Corporation loans – unsecured	7,844	6,192
Non-current liabilities		
Queensland Treasury Corporation loans – unsecured	226,171	205,581

GAWB has a working capital facility of \$10.000 million (2013: \$10.000 million) available through Queensland Treasury Corporation (QTC) to assist in managing short term cash requirements.

Finance facilities

Available at reporting date	244,015	221,773
Utilised at reporting date	(234,015)	(211,773)
	10,000	10,000

Forward starting loans

GAWB entered into FSL agreements with QTC where it agreed to borrow specified amounts in the future at a pre-determined interest rate. The FSL agreements minimise the risk of interest rate movements as the cost of debt being recovered in prices was fixed at 1 July 2010 for the 5 year regulatory period ending 30 June 2015. As at 30 June 2014 GAWB has drawn down a total of \$85.100 million in FSLs (2013: \$85.100 million).

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

Finance lease liabilities

GAWB has no finance lease liabilities.

Notes to the financial statements

for the year ended 30 June 2014

	2014 \$000	2013 \$000
20. Employee benefits		
Current		
Liability for long service leave	367	263
Liability for annual and other leave	744	758
	1,111	1,021
Non-current		
Liability for long service leave	379	321
21. Provisions		
Current		
<i>ILUA liability</i>		
Balance at 1 July	128	128
Balance at 30 June	128	128
Non Current		
Price differentiation surcharge	561	840
Restoration provision	125	125
	686	965
<i>Movement in Restoration provision</i>		
Balance at 1 July	125	125
Additional provision recognised	–	–
Reduction in provision as a result of payments	–	–
Balance at 30 June	125	125
22. Deferred income		
Current		
Revenue received in advance	1,391	1,632
Non-Current		
Revenue received in advance	6,387	7,458
23. Tax liabilities		
Current		
Current tax liabilities	292	522

Notes to the financial statements

for the year ended 30 June 2014

24. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Other assets	–	–	(536)	(44)	(536)	(44)
Property, plant & equipment	334	299	(46,619)	(42,484)	(46,285)	(42,185)
Intangible assets	4,181	3,384	–	–	4,181	3,384
Trade & other payables	13	13	–	–	13	13
Employee benefits	447	403	–	–	447	403
Provisions	–	–	–	–	–	–
Unearned income	168	252	–	–	168	252
Revenue received in advance	2,309	2,701	–	–	2,309	2,701
Tax assets/(liabilities)	7,452	7,052	(47,155)	(42,528)	(39,703)	(35,476)

Movement in temporary differences during the year:

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

	Balance 1 July 2013 \$000	Recognised in income \$000	Under/over prior years \$000	Recognised in equity \$000	Balance 30 June 2014 \$000
Other assets	(44)	(492)	–	–	(536)
Property, plant and equipment	(42,185)	312	–	(4,412)	(46,285)
Intangibles	3,384	797	–	–	4,181
Trade & other payables	13	–	–	–	13
Employee benefits	403	44	–	–	447
Provisions	–	–	–	–	–
Unearned income	252	(84)	–	–	168
Revenue received in advance	2,701	(392)	–	–	2,309
	(35,476)	185	–	(4,412)	(39,703)

Notes to the financial statements

for the year ended 30 June 2014

25. Financial risk management

(a) General objectives, policies and processes

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

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

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

The net fair value of GAWB's financial assets and liabilities are equivalent to the total carrying amounts as per the Statement of Financial Position except for the net fair value of Queensland Treasury Corporation borrowings, which is based on market prices (categorised as level 1 within the fair value hierarchy). The carrying amounts of trade and other receivables and trade and other payables are a reasonable approximation of their net fair values.

Financial instruments	Total carrying amount		Net fair value	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Financial Assets				
Cash and cash equivalents:				
Cash at bank and on hand	1,691	2,369	1,691	2,369
Deposits at Queensland Treasury Corporation, at call	27,339	14,610	27,339	14,610
Trade and other receivables	15,913	11,999	15,913	11,999
	44,943	28,978	44,943	28,978
Financial Liabilities				
Interest-bearing liabilities	234,015	211,773	240,075	222,895
Trade and other payables	5,148	15,762	5,148	15,762
	239,163	227,535	245,223	238,657

Notes to the financial statements

for the year ended 30 June 2014

25. Financial risk management (continued)

(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.

Cash and cash equivalents

GAWB held cash and cash equivalents of \$29.030 million at 30 June 2014 (2013: \$16.979 million) which represents its maximum credit exposure on these accounts. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+ based on rating agency Standard & Poors ratings.

Trade receivables

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

The carrying amount of receivables represents the maximum exposure to credit risk. GAWB's most significant customer accounts for \$1.348 million of trade receivables at 30 June 2014 (2013: \$1.221 million).

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

	Total	2014 Amount impaired	Amount not impaired	Total	2013 Amount impaired	Amount not impaired
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	5,725	–	5,725	4,421	–	4,421
Past due <31 days	2,940	–	2,940	331	–	331
Past due 31–60 days	2	–	2	21	–	21
Past due >60 days	85	–	85	54	–	54
Total	8,752	–	8,752	4,827	–	4,827

As at 30 June 2014 GAWB had current trade receivables of \$Nil (2013: \$Nil) that were impaired.

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

GAWB manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by monitoring all funds owed on a timely and ongoing basis.

Notes to the financial statements

for the year ended 30 June 2014

25. Financial risk management (continued)

(c) Liquidity risk

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

The following financing facilities were available at balance date:

	2014 \$000	2013 \$000
Credit stand-by arrangements		
<i>Available facilities:</i>		
Overdraft	10,000	10,000
<i>Unused facilities:</i>		
Overdraft	10,000	10,000
Loans		
Total facilities (including Forward Starting Loans):	234,015	211,773
Used at balance date	234,015	211,773
Unused at balance date	-	-

The overdraft facility may be drawn down at any time but may be terminated by the financier without notice. Of the loan facilities, \$234.015 million is fully drawn and has a maturity of 20 years (2013: \$211.773 million).

Maturity analysis

	Fixed interest maturing in:			Floating interest rate \$000	Non interest bearing \$000	Total \$000
	1 year or less \$000	1 to 5 years \$000	Over 5 years \$000			
30 June 2013						
Financial liabilities						
Trade and other payables	-	-	-	-	15,752	15,752
Interest-bearing liabilities	21,047	84,190	293,844	-	-	399,081
Total	21,047	84,190	293,844	-	15,752	414,833
30 June 2014						
Financial liabilities						
Trade and other payables	-	-	-	-	5,138	5,138
Interest-bearing liabilities	24,942	98,169	251,110	-	-	374,221
Total	24,942	98,169	251,110	-	5,138	379,359

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

The comparatives for interest-bearing liabilities have been restated to correct an error in the 2013 maturity analysis. The prior year financial statements incorrectly disclosed the following amounts which have now been corrected for fixed interest liabilities maturing in: 1 year or less \$22.284 million, 1 to 5 years \$87.769 million, Over 5 years \$395.304 million, Total \$505.357 million, and Total financial liabilities \$521.109 million.

Notes to the financial statements

for the year ended 30 June 2014

25. Financial risk management (continued)

(d) Interest rate risk

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

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

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

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

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

	Carrying amount \$000	Interest rate risk			
		-100 bpts		+100 bpts	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
30 June 2013					
Cash at bank	2,369	-	-	-	-
Deposits at Queensland Treasury Corporation, at call	14,610	(146)	(146)	146	146
30 June 2014					
Cash at bank	1,691	-	-	-	-
Deposits at Queensland Treasury Corporation, at call	27,339	(273)	(273)	273	273

(e) Capital risk management

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

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

It is GAWB's target to maintain its gearing ratio within the range of 40%–45%. GAWB's gearing ratio at the balance sheet date is shown below:

	2014 \$000	2013 \$000
Gearing ratios		
Total debt	234,015	211,773
Total equity	291,241	273,725
Total equity and net debt	525,256	485,498
Gearing ratio	45%	44%

Notes to the financial statements

for the year ended 30 June 2014

25. Financial risk management (continued)

(f) Classification of financial instruments recorded at fair value

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 June 2013				
<i>Financial assets</i>				
Cash and cash equivalents	16,979	–	–	16,979
30 June 2014				
<i>Financial assets</i>				
Cash and cash equivalents	29,030	–	–	29,030
			2014 \$000	2013 \$000

26. Operating leases

Leases as lessee

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

Not later than 1 year	798	651
Later than one year not later than five years	885	649
Later than five years	2,210	2,384
	3,893	3,684

During the year ended 30 June 2014, \$0.641 million was recognised as an expense in the statement of comprehensive income in respect of operating leases (2013: \$0.624 million).

27. Capital and other commitments

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

Amounts to be expensed:		
Not later than one year	58	161
Later than one year, but less than five years	70	87
More than five years	–	–
	128	248
Amounts to be capitalised:		
Not later than one year	7,455	9,212
Later than one year, but less than five years	–	396
More than five years	–	–
Infrastructure projects	7,455	9,608

Notes to the financial statements

for the year ended 30 June 2014

28. Contingencies

- (a) GAWB is currently engaged in a dispute resolution process relating to a terminated construction contract. Further information on this matter cannot be disclosed due to the confidential nature of the arrangements.
- (b) The Commonwealth Bank of Australia has issued on GAWB's behalf three bank guarantees for a total of \$0.275 million as security for (2013: \$0.275 million):
- a lease on premises at 38 Hope Street, South Brisbane;
 - corporate credit cards; and
 - construction, operation and maintenance of a pipeline and reservoirs on Curtis Island
- (c) Otherwise there are no other known contingent assets or liabilities.

29. Director, key executive management personnel and related party disclosures

The directors of GAWB and the key executive management personnel, described as KMP, that had authority and responsibility for planning, directing and controlling the activities of the agency during the 2013/14 financial year and during the 2012/13 financial year (for comparative purposes) were:

Board of directors

Position	Responsibilities	Appointment authority	Date initially appointed to position (Date appointment ceased)
Chairperson – Ms Mary Boydell	Responsible for leading and directing the board, presiding at all meetings attended, for governing the operations of GAWB and reporting and continuous disclosure to the Minister under the <i>Water Act 2000</i> .	<i>Water Act 2000</i> section 600, 601 and 605	29 June 2001
Director – Ms Patrice Brown	Responsible for governing the operations of GAWB and reporting and continuous disclosure to the Minister under the <i>Water Act 2000</i> .	<i>Water Act 2000</i> section 600 and 605	27 June 2014
Director – Mr Denis Cook			27 June 2014
Director – Mr Malcolm Leinster			05 August 2011
Director – Cr Graham McDonald			27 June 2014
Director – Mr Craig Butler			<i>Water Act 2000</i> section 600, 605 and 1238
Director – Mr Clyde Cameron			14 August 2009 (27 June 2014)
Director – Mr Warren Dinte			31 July 1997 (27 June 2014)
Director – Ms Amelia Hodge			16 July 2010 (27 June 2014)
Director – Mr John Mulheron			15 December 2000 (27 June 2014)

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

Notes to the financial statements

for the year ended 30 June 2014

29. Director, key executive management personnel and related party disclosures (continued)

Key executive management personnel

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

Other than cessations during the 2012/13 and 2013/14 financial years, the position titles and responsibilities listed represent those that apply to GAWB's key executive management personnel as at 30 June 2014.

Notes to the financial statements

for the year ended 30 June 2014

29. Director, key executive management personnel and related party disclosures (continued)

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

- Short term employee benefits consisting of:
 - Salary, allowances and leave entitlements expected to be used within 12 months paid and provided to the key executive management personnel during the year while they were a KMP that were recognised as expenses in the Statement of Profit or Loss and Other Comprehensive Income;
 - Non-monetary benefits in the form of salary packaging to key executive management personnel, including the provision of a motor vehicle (including the associated fringe benefits tax), less any business use cost.
- Long term employee benefits, consisting of long service leave accrued.
- Post employment benefits, consisting of superannuation contributions to accumulation funds and defined contribution plans.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide for notice periods and payments on termination only.
- Performance bonuses paid to senior executives for the achievement of balanced organisational performance outcomes (water supply, commercial results, corporate responsibility and capability), with bonuses capped at 15% of the senior executive's remuneration. Performance bonuses are managed in accordance with the remuneration policy and government guidelines.

As at the date of management certification of these financial statements, the eligibility of key executive management personnel to a performance payment for the year ended 30 June 2014 had not yet been determined by the Board. Therefore, any performance payment approved by the Board will be reported as an expense within the 2014/15 financial year.

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

Board of directors' compensation

Position	Short term employee benefits		Long term employee benefits	Post employment benefits	Termination benefits	Total remuneration
	Monetary benefits	Non-monetary benefits				
	\$000	\$000				
2013						
Chairperson – Ms Mary Boydell	43	–	–	4	–	47
Director – Mr Craig Butler	7	–	–	–	–	7
Director – Mr Clyde Cameron	9	–	–	1	–	10
Director – Mr Warren Dinte	12	–	–	1	–	13
Director – Ms Amelia Hodge	7	–	–	1	–	8
Director – Mr Malcolm Leinster	8	–	–	1	–	9
Director – Mr John Mulheron	10	–	–	–	–	10
Total remuneration	96	–	–	8	–	104
2014						
Chairperson – Ms Mary Boydell	43	–	–	4	–	47
Director – Ms Patrice Brown	–	–	–	–	–	–
Director – Mr Denis Cook	–	–	–	–	–	–
Director – Mr Malcolm Leinster	9	–	–	1	–	10
Director – Cr Graham McDonald	–	–	–	–	–	–
Director – Mr Craig Butler	9	–	–	1	–	10
Director – Mr Clyde Cameron	9	–	–	1	–	10
Director – Mr Warren Dinte	11	–	–	1	–	12
Director – Ms Amelia Hodge	6	–	–	–	–	6
Director – Mr John Mulheron	9	–	–	3	–	12
Total remuneration	96	–	–	11	–	107

Notes to the financial statements

for the year ended 30 June 2014

29. Director, key executive management personnel and related party disclosures (continued)

Key executive management personnel compensation

Position	Short term employee benefits		Long term employee benefits	Post employment benefits	Termination benefits	Total remuneration
	Monetary benefits	Non-monetary benefits				
	\$000	\$000				
2013						
Chief Executive Officer	285	23	20	25	–	353
Corporate Services Manager	182	2	8	14	–	206
Corporate Secretary	151	–	1	22	–	174
Chief Financial Officer	183	2	5	16	–	206
Infrastructure Planning & Delivery Manager	172	1	2	14	–	189
Operations & Maintenance Manager	96	3	5	19	–	123
Operations & Maintenance Manager	61	–	–	5	–	66
Special Projects Manager	99	–	(8)	23	–	114
Total remuneration	1,229	31	33	138	–	1,431
2014						
Chief Executive Officer	283	25	11	24	–	343
Corporate Services Manager	183	1	9	18	–	211
Corporate Secretary	164	–	2	29	–	195
Chief Financial Officer	191	1	7	16	–	215
Infrastructure Planning & Delivery Manager	200	2	3	19	–	224
Operations & Maintenance Manager	187	1	1	16	–	205
Total remuneration	1,208	30	33	122	–	1,393

Key executive management personnel performance bonuses

A performance bonus was paid on 3 October 2013 to the Chief Executive Officer, Chief Financial Officer, Infrastructure Planning & Delivery Manager, Corporate Services Manager, Operations & Maintenance Manager and Corporate Secretary. In the prior year, a performance bonus was paid on 4 October 2012 to the Chief Executive Officer, Chief Financial Officer, Infrastructure Planning & Delivery Manager, Corporate Services Manager, Operations & Maintenance Manager and Corporate Secretary.

	2014 Number	2013 Number
\$30,000 to \$39,999	1	1
\$20,000 to \$29,999	–	–
\$10,000 to \$19,999	4	4
\$0 to \$9,999	1	1
Total	6	6

Notes to the financial statements

for the year ended 30 June 2014

29. Director, key executive management personnel and related party disclosures (continued)

Transactions with directors and director related entities

There have been no material transactions with directors and director related entities during the financial year.

In the ordinary course of business and under normal terms and conditions, during the financial year GAWB has dealt with the following entities, which are director related entities of directors appointed on 27 June 2014:

- Gladstone Regional Council, of which Cr G McDonald is a councillor; and
- CQ Environmental Pty Ltd (trading as CQG Consulting), of which Ms P. Brown is the controlling shareholder and sole director.

Transactions with these entities are on commercial terms that are no more favourable than those offered to or by other parties. Amounts receivable and payable to these director related entities at the reporting date comprise amounts included in Trade receivables totalling \$1,398,000 (2013: \$Nil) and amounts included in Trade creditors – operating totalling \$2,000 (2013: \$Nil).

Transactions with key executive management personnel and key executive management personnel related entities

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

From time to time, key executive 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

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

31. Gladstone Area Water Board Employing Office

GAWB established an Employing Office on 6 November 2008 as required by amendments to section 625 of the *Water Act 2000*. The Employing Office represents the State and it is intended to consist of an executive officer (expected to be the CEO of GAWB) and staff (current GAWB employees). The establishment of the Employing Office permits the transfer of GAWB's existing staff to the new entity should staff be invited to do so and accept that invitation. There has been no transfer of staff to the Employing Office, nor is there any current intention to invite GAWB staff to transfer, and the established Employing Office is dormant. Accordingly, a separate financial report for the 2013/14 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 2014 and of the financial position of the Gladstone Area Water Board at the end of that year.



M.S. Boydell
Chairperson



J. Grayson
Chief Executive Officer

Gladstone Area Water Board

28 August 2014

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 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificate given by the Chairperson and Chief Executive Officer.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal controls as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the Board also states, in accordance with Australian Accounting Standards, that the financial report complies with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Gladstone Area Water Board for the financial year 1 July 2013 to 30 June 2014 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).

Independent Auditor's report

To the Board of Gladstone Area Water Board

Other Matters – Electronic Presentation of the Audited Financial Report

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



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



Queensland Audit Office
Brisbane



Glossary

AASB	Australian Accounting Standards Board
Act	<i>Water Act 2000</i> (Qld)
AHD	Australian Height Datum
AMS	Asset Management System
A&RM Committee	Audit & Risk Management Committee
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AWA	Australian Water Association
Awoonga ROL	Awoonga Water Supply Scheme Resource Operations Licence
Board	GAWB's Board of Directors
Boyne River ROP	Boyne River Basin Resource Operations Plan 2013
CAPEX	Capital expenditure
CEO	Chief Executive Officer
CGU	Cash Generating Unit
CNF	Competitive Neutrality Fee
CPI	Consumer Price Index
CSS	Contingent Supply Strategy
DEWS	Department of Energy and Water Supply
DMP	Drought Management Plan
DNRM	Department of Natural Resources and Mines
DWQMP	Drinking Water Quality Management Plan
EAP	Employee Assistance Program
EBIT	Earnings Before Interest and Tax
EIS	Environmental Impact Statement
ERA	Environmentally Relevant Activity
ERP	Enterprise Resource Planning
FCI	Flood Commission of Inquiry
FSL	Forward Starting Loan
FTE	Full Time Equivalent
GAWB	Gladstone Area Water Board
GFP	Gladstone Fitzroy Pipeline Project
GHHP	Gladstone Healthy Harbour Partnership
GRC	Gladstone Regional Council
GST	Goods and Services Tax
GWTP	Gladstone Water Treatment Plant
HR&R Committee	Human Resources & Remuneration Committee
ICT	Information Communication and Technology
ILUA	Indigenous Land Use Agreement
IP	Information Privacy
KMP	Key Management Personnel
KPM	Key Performance Measure
LFRIIP	Lower Fitzroy River Infrastructure Project
LNG	Liquefied Natural Gas
LTI	Lost Time Injury
MDQ	Maximum Daily Quantity
Minister	Minister for Energy and Water Supply
ML	Megalitres
ML p.a.	Megalitres per annum
NPV	Net Present Value
PCIMP	Port Curtis Integrated Monitoring Program
QCA	Queensland Competition Authority
QTC	Queensland Treasury Corporation
RAB	Regulated Asset Base
ROA	Return on Assets
ROL	Resource Operations Licence
RTI	Right to Information
SAMP	Strategic Asset Management Plan
SCADA	Supervisory Control and Data Acquisition
SWP	Strategic Water Plan
WACC	Weighted Average Cost of Capital
WRP	Water Resource (Boyne River Basin) Plan 2013
WSAA	Water Services Association of Australia
WSSRA	<i>Water Supply (Safety & Reliability) Act 2008</i> (Qld)
YWTP	Yarwun Water Treatment Plant



Directory

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Patrice Brown
Denis Cook
Malcolm Leinster
Cr Graham McDonald

Chief Executive Officer

Jim Grayson

Corporate Secretary

Mark McKeon

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

Gladstone Area Water Board 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 4976 3000 or gawb@gawb.qld.gov.au and we will arrange an interpreter to effectively communicate the report to you.



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**Gladstone Area
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