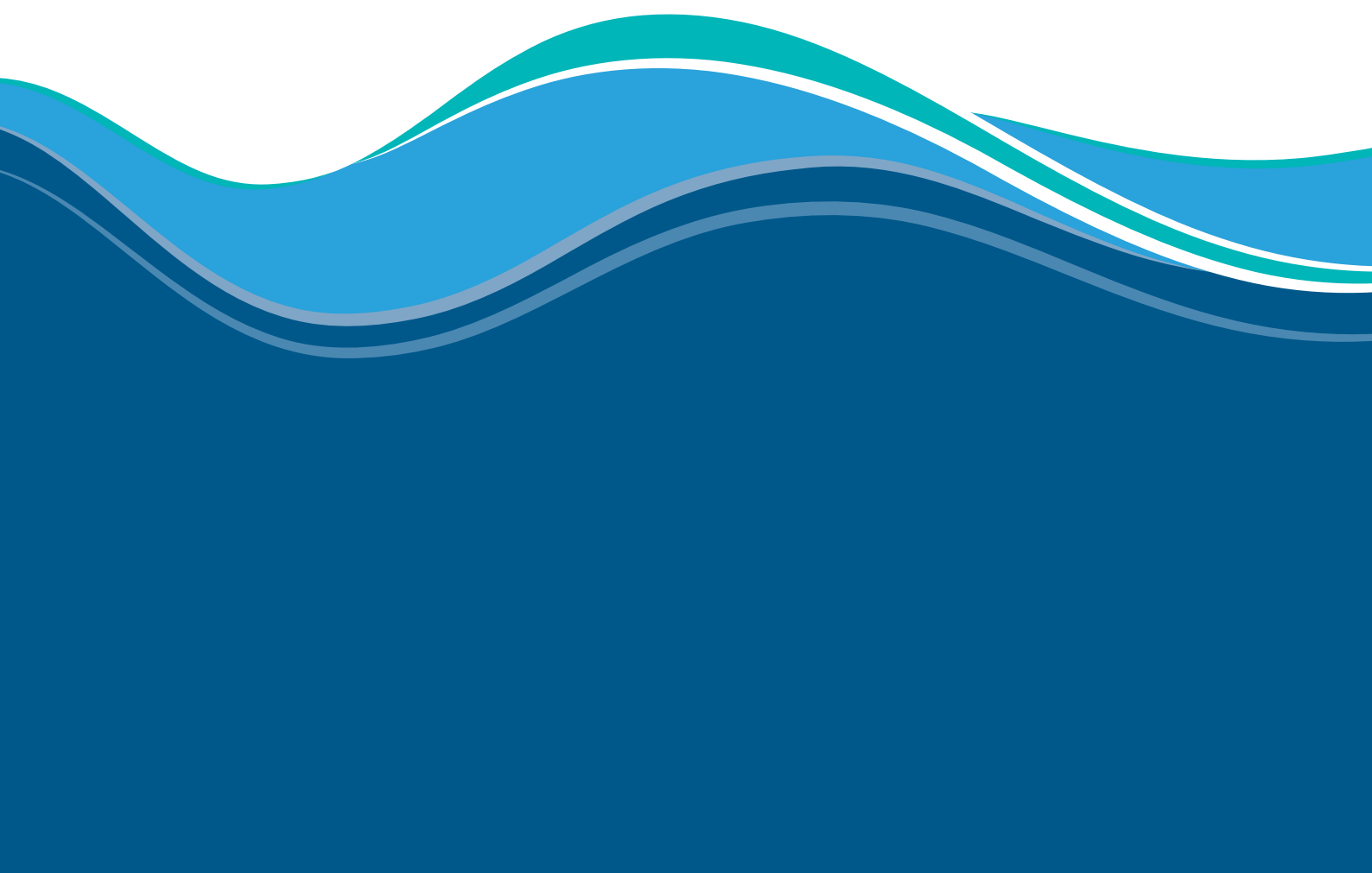


GLADSTONE AREA WATER BOARD

2015
ANNUAL REPORT





Contents

Chairperson’s letter	2
Chairperson’s review	3
Overview of the year	5
Directors	8
Review	10
Goals for 2015/16..	19
Governance	20
Governance – Board and Committees	22
Governance – Human resources	24
Governance – Reporting	24
Governance – Other significant issues... ..	25
Five year summary.	26
Financial statements	27
Glossary... ..	64



Gladstone Area Water Board

ABN: 88 409 667 181
Service Provider: 200

PO Box 466
GLADSTONE Q 4680

1st Floor
147 Goondoon Street
GLADSTONE Q 4680

Tel: (07) 4976 3000
Fax: (07) 4972 5632

Email:
gawb@gawb.qld.gov.au
Web:
www.gawb.qld.gov.au

Chairperson's letter

The Honourable Mark Bailey MP
Minister for Main Roads, Road Safety and Ports
and Minister for Energy and Water Supply
Level 15, Capital Hill
85 George Street
Brisbane Qld 4000

Dear Minister

I am pleased to present the Annual Report 2015 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

Denis Cook
Chair





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 78,000 ML per annum (ML p.a.) water allocation from Awoonga Dam, granted under the Act and in accordance with the *Water Resource (Boyne River Basin) Plan 2013* (WRP), and the *Awoonga Water Supply Scheme Resource Operating Licence* (Awoonga ROL).

In addition to the normal operation of the business, GAWB has been involved in other significant issues during the year:

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 associated environmental approvals
- » reserve an entitlement of up to 30,000 ML p.a. of high reliability water from the lower Fitzroy River under the *Fitzroy Basin Resource Operations Plan 2014* and
- » in conjunction with its joint proponent (SunWater), finalise the Environmental Impact Statement (EIS) and progress preparation of the 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 optimal investment for its customer base).

2015 Price Monitoring Investigation

GAWB's water price is reflective of the pricing principles developed by GAWB and most recently reviewed by the Queensland Competition Authority (QCA) during the 2015 Price Monitoring Investigation (which was completed on 29 May 2015). This regulatory review process ensures that GAWB's water prices are reflective of the efficient expenditure necessary to supply customers. This cost reflectivity is essential in providing customers with appropriate price signals in relation to their consumption of water.

The recovery of efficient expenditure in the water price also ensures that GAWB can meet customer water supply needs through receiving adequate revenue to carry out its functions as an essential service provider.

GAWB lodged its submissions to the 2015 Price Monitoring Investigation on 30 September 2014, and lodged further submissions in response to the QCA's draft report on 30 March 2015. In its submissions, GAWB advocated a trailing average cost of debt approach to determination of the Weighted Average Cost of Capital (WACC) which was in accordance with the determinations of other Commonwealth and other State economic regulators. This approach would have resulted in lower price volatility in the short and longer terms, but was rejected by the QCA. The QCA chose to maintain its past practice of resetting the WACC using an 'on-the-day' approach which will result in higher price volatility at subsequent price reviews.

The QCA's final report was published on 29 May 2015, and the outcomes of the Price Monitoring Investigation will be implemented in prices from 1 July 2015. The prices charged to GAWB's bulk water customers vary with infrastructure used by individual customers, but will be 17% lower, on average, than prices charged in 2014/15. The key causation factor for this lower price is the significant reduction in GAWB's WACC. The lower prices will lead to reductions in GAWB's revenues and profitability over the 2015/16–2019/20 regulatory period. The WACC determined at 30 June 2015 is historically low due to the current state of debt markets.

Customer charges for water delivery through GAWB infrastructure will utilise flow based pricing from 1 July 2015. While this pricing approach is common within the energy sector, GAWB is the first Australian water utility to implement this approach, which allows water prices to better reflect the cost of the infrastructure utilised by each customer.

Chairperson's review continued

Awoonga Dam

During 2014/15, GAWB undertook upgrade works at Awoonga Dam to increase the flood capacity of the spillways. The works included a 5 m raising of Saddle Dam 3 (west of the main dam spillway) and construction of a new auxiliary spillway at Saddle 6 (further west of Saddle Dam 3). The new auxiliary spillway will only be operational if the water level exceeds 50.1 m (1.8 m higher than the record flood in January 2013). Such extreme flood events have an estimated Annual Exceedance Probability of less than 1 in 10,000.

The design of the upgrade works had regard to damage experienced and other information obtained as a result of the January 2013 flood event. The flood capacity of the spillways is now at the level required to be achieved by 2025, in accordance with the requirements of the December 2012 revision of the *Guidelines on Acceptable Flood Capacity for Water Dams*.

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 2015, GAWB had total assets of \$638.071 million, with equity of \$326.028 million, and employed 83 people (78.3 full time equivalents (FTE)). GAWB's revenue in 2014/15 from the supply of water was \$70.528 million. Net profit after tax for the year ended 30 June 2015 totalled \$12.567 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:

Integrity

» doing the right thing at all times,

supported by: Professionalism

» striving for excellence in everything we do

Accountability

» owning the issue and delivering the solution

Communication

» clear, concise and timely delivery of the right message

Positivity

» generating enthusiasm and energy through positive exchanges with others

Trust

» first granted, later earned and vigilantly protected.



Overview of the year

Significant highlights for the 2014/15 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.

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

During 2014/15, GAWB:

- » Supplied potable water in compliance with the Australian Drinking Water Guidelines and GAWB's Drinking Water Quality Management Plan (DWQMP) throughout the year.
- » Operated Awoonga Dam in compliance with the WRP, *Boyne River Resource Operations Plan 2013* (Boyne River ROP) and Awoonga ROL.
- » Maintained water pressure at customer supply points and repaired pipeline breaks in liaison with affected customers to minimise the impact on their operations.
- » Completed Awoonga Dam spillway upgrade works to the level required to be achieved by 2025.
- » Progressed the revision of the Awoonga Dam Emergency Action Plan (EAP) following completion of the spillway upgrade works and changes to Dam Safety Conditions, and to incorporate lessons learned during the earthquake event and two spill events during the third quarter.
- » Progressed site investigations and detailed designs for an offline storage reservoir and standby pumping systems, to improve water reliability for the Gladstone region.
- » Completed the structural refurbishment of Awoonga Dam Pump Station, progressed major electrical infrastructure replacement projects, and progressed projects to replace high risk pipeline sections.
- » Lodged submissions to the 2015 Price Monitoring Investigation, including further submissions in response to the QCA's draft report, and finalised revisions to GAWB's pricing model prior to publication in early 2015/16 of GAWB's water prices from 1 July 2015.

Commercial results

During 2014/15, GAWB achieved the following commercial outcomes:

- » Water revenue of \$70.528 million (64,318 ML reserved by customers; 45,906 ML supplied) compared to target sales of \$67.735 million (61,898 ML reserved; 52,923 ML supplied).
- » Total expenses of \$21.718 million compared to budget expenditure of \$21.985 million.
- » Earnings before interest and tax (EBIT) of \$34.251 million compared to target of \$32.638 million.
- » Net profit after tax equivalents of \$12.567 million compared to budgeted profit of \$10.880 million.
- » Return on assets (ROA) of 5.59% compared to target of 5.57%.
- » Exceeded BBB benchmarks for interest cover ratios.
- » \$8.446 million dividend declared in October 2014, based on 2013/14 profits, and paid in December 2014. Following amendments to the Act, a further \$10.054 million dividend was declared in May 2015, based on 2014/15 profits, and will be paid in 2015/16.

GAWB also:

- » Prepared for the introduction of flow based pricing (based on Maximum Daily Quantities or ML per day).
- » Finalised renewal of borrowing arrangements from 1 July 2015 including transitioning to interest-only payments.

Overview of the year continued

Corporate citizenship

During 2014/15, GAWB:

- » Maintained commitment to safety, with no lost time injuries (LTIs) recorded during the year. As at 30 June 2015, GAWB had operated for 1,081 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.
- » Responded to cyclone, flood and wild fire events in accordance with Emergency Action Plans.
- » Continued to provide and manage public recreational facilities in the Boyne Valley.
- » Sponsored the Gladstone Seafood Festival, Gladstone's 'Ecofest 2015' and the 2015 Queensland Music Festival 'Classics, Gypsy and Jazz' show in Gladstone, and undertook other activities of a 'good corporate citizen' nature.

Capability

During 2014/15, GAWB:

- » Achieved target staff retention rate (80%).
- » Maintained staff satisfaction survey results, with a result of 5.2/7.
- » 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 standard.
- » 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.
- » Progressed implementation of the Enterprise Resource Planning (ERP) and document management software replacement components of the Administrative Excellence & Technology Utilisation project (due for completion in late 2015).

GAWB's actual performance in 2014/15 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 2014/15 and against actual results for the 2013/14 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 2015.

		2015	2014
Profit and Dividend			
Water sales revenue ²	\$ million	70.5	67.4
Total revenue	\$ million	72.4	69.6
Earnings before interest and tax	\$ million	34.3	31.4
Profit/(loss) after tax	\$ million	12.6	10.6
Dividends declared ³	\$ million	18.5	3.3
Cash Flow			
Net Cash from operating activities	\$ million	31.7	21.4
Balance Sheet			
Total assets	\$ million	638.1	580.5
Total equity	\$ million	326.0	291.2
Total borrowings	\$ million	229.7	234.0

1 Includes revaluation and impairment calculations

2 Includes transfer from unearned income provision

3 Includes \$10.1 million dividend declared in May 2015 that will be paid in 2015/16

Overview of the year continued


Headline performance measures

	Year Ended 30 June			
		2015	2014	
	Actual	Target	Actual	
Meeting Water Needs				
Water Demand				
Variation between actual customer reservations and regulatory forecast demand:				
» Current year	%	+2.6 ✓	+10/-5	+2.4
» Cumulative since last Price Review	%	+1.9 ✓	+10/-5	+1.7
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	19.221 X	30.484	18.253
Commercial Results				
Profitability				
EBIT	\$ million	34.251 ✓	32.638	31.415
ROA	%	5.62 ✓	5.57	5.49
Operating expenditure (less depreciation & interest) vs budget	%	97.9 ✓	<100	109
Corporate Citizenship				
Safety				
Lost time injuries	No.	Nil ✓	≤2	Nil
Environmental Responsibility				
Compliance with environmental legislation and standards – breach notices received	No.	Nil ✓	Nil	Nil
Capability				
Percentage of Headline performance measures achieved	%	89 X	100	78

¹ Out of the 90 projects planned for the year, 27 reached practical completion by 30 June 2015. Practical completion was also achieved for a further 11 unplanned projects and 35 projects carried over from the previous year.
Total capital expenditure over the 2010/11–2014/15 regulatory period was 32% higher than that being recovered in customer prices during that period.




Directors



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

Appointed a Director on 27 June 2014 until 27 June 2017 and Chairperson from 1 January 2015, Mr Cook was a member of the Audit & Risk Management Committee/Audit Committee* throughout 2014/15. 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.



Patrice A. Brown BSc (IndChem), MEng (Civil), DipBus, CertMaritimeEnvMgt, CertSugarTech, CEnvP, 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 agriculture, heavy industry and consulting, with over 25 years' experience as an environmental practitioner, including as the project manager for GAWB's raising of Awoonga Dam EIS in the late 1990s. Ms Brown established CQG Consulting (CQ Environmental Pty Ltd) over eleven 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 with the Emerald Agricultural College, Sugar Research and Development Corporation, Rockhampton Regional Development Ltd and Capricorn Enterprise and has an active role as a speaker at national and international environmental conferences.



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

Appointed to the Board on 4 August 2011, Mr Leinster was reappointed on 27 June 2014 until 27 June 2017. He was a member of the Audit & Risk Management Committee/Audit Committee* throughout 2014/15. A Mechanical Engineer with a background in electrical power generation, Mr Leinster served in that industry for over 35 years. 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. He has a long history with Central Queensland University as a course developer and external lecturer.



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.

* The former Audit & Risk Management Committee was reconstituted as the Audit Committee in April 2015.

Directors continued

John W. Orange BCA, LLB, CA, FAICD, MInstD, of Brisbane

Appointed a Director on 1 January 2015 until 27 June 2017, Mr Orange has been Chair of the Audit & Risk Management Committee/Audit Committee* from 1 January 2015. He is qualified in accounting and law and is a Fellow of the Australian Institute of Company Directors. Mr Orange has over 30 years experience including directorships on 12 different entity boards and associated committees, over 15 years in executive management, international experience in New Zealand, the United Kingdom, Africa, Asia and the Middle East and the last nine years running his own consulting business specialising in governance, financial management, business improvement, mergers and asset transfers.

* The former Audit & Risk Management Committee was reconstituted as the Audit Committee in April 2015.

Mary S. Boydell BCom, FCA, of Brisbane

Ms Boydell served as a member of the Board from 29 June 2001 (Chairperson from 22 February 2002) and as a member of the Audit & Risk Management Committee from its formation in March 2002 (Chairperson from August 2008) until her retirement on 31 December 2014. Ms Boydell also served as a Board member of the Commonwealth Scientific and Industrial Research Organisation (CSIRO), a Director of Uniquet Limited and UATC Pty Ltd, and Chairman of Yalari Limited. Her previous appointments included 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).

The number of meetings of the Board and its standing committees attended by each Director during the 2014/15 financial year is set out below.

Director	Board Meetings		Audit & Risk Management/Audit Committee Meetings ¹	
	Attended	Held ²	Attended	Held ²
Mr D.J. Cook	17	18	5	5
Ms M.S. Boydell	9	12	3	3
Ms P.A. Brown	17	18	–	–
Mr M. Leinster	16	18	4	5
Cr G.E. McDonald	18	18	–	–
Mr J.W. Orange	6	6	2	2

¹ The former Audit & Risk Management Committee was reconstituted as the Audit Committee in April 2015.

² Reflects the number of meetings held during the time the Director held office/was a member of the 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 75% 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 is critical to such commercially sophisticated customers, 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 25% of the total water supplied by GAWB is supplied to GRC as potable water. GRC then on-sells this potable water, through its reticulation network, to residential, small business and industrial users. GAWB recognises its important responsibility of ensuring the reliable supply of high quality drinking water that is 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 Strategic Water Plan (SWP), which has resulted in the deployment of its CSS, an ongoing program of works and a focus on the security and reliability of its water supply network – from source to customers.

The current SWP focuses on 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 equitable application of 'user pays' principles and
- » its future water supply planning to meet demand that incorporates assessments of risks to supply, 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 to customers. This ongoing alignment between the needs of its customers and the water service that it provides underpins GAWB's overarching strategic objective to optimise the value it provides to all customers (present and future) and thereby to 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 other solutions such as desalination and demand management.

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 2014*. The work program for the GFP preparatory works is reviewed and revised annually to ensure that tasks undertaken are only those that are necessary to maintain the required state of preparedness and retain value in the work. The work program for the LFRIP continued during 2014/15 with the finalisation of the draft EIS and ongoing preparation of the business case for implementation of the LFRIP.

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

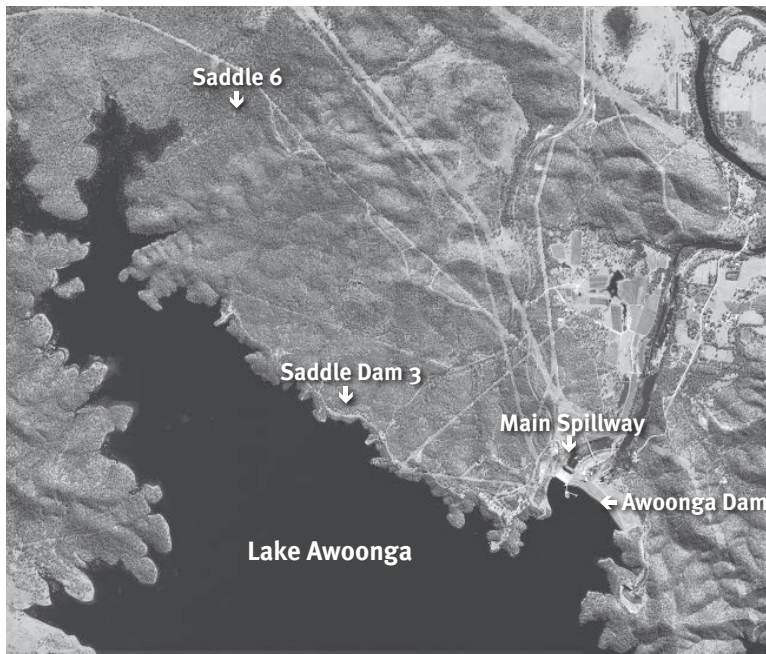
The foundations of GAWB's operations are its water allocation of 78,000 ML p.a. and its Resource Operating Licence (the Awoonga ROL) under the Act. The WRP sets out the strategies for the sustainable allocation and management of water, and is implemented in accordance with the Boyne River ROP.

During 2014/15, GAWB undertook upgrade works at Awoonga Dam to increase the flood capacity of the spillways. The design of the upgrade works had regard to damage experienced and other information obtained as a result of the January 2013 flood event. The works included:

- » A 5 m raising of Saddle Dam 3 to 52.9 m, 4.6 m above the record flood in January 2013. Saddle Dam 3 will no longer act as an auxiliary spillway.
- » Construction of a new auxiliary spillway at Saddle 6. The new auxiliary spillway has been excavated through Saddle 6, and will only be operational if the water level exceeds 50.1 m (1.8 m higher than the January 2013 flood). Such extreme flood events have an estimated Annual Exceedance Probability of less than 1 in 10,000.

The flood capacity of the spillways is now at the level required to be achieved by 2025, in accordance with the requirements of the December 2012 revision of the *Guidelines on Acceptable Flood Capacity for Water Dams*. Minor works, site rehabilitation and land issues associated with the project will be finalised in 2015/16.

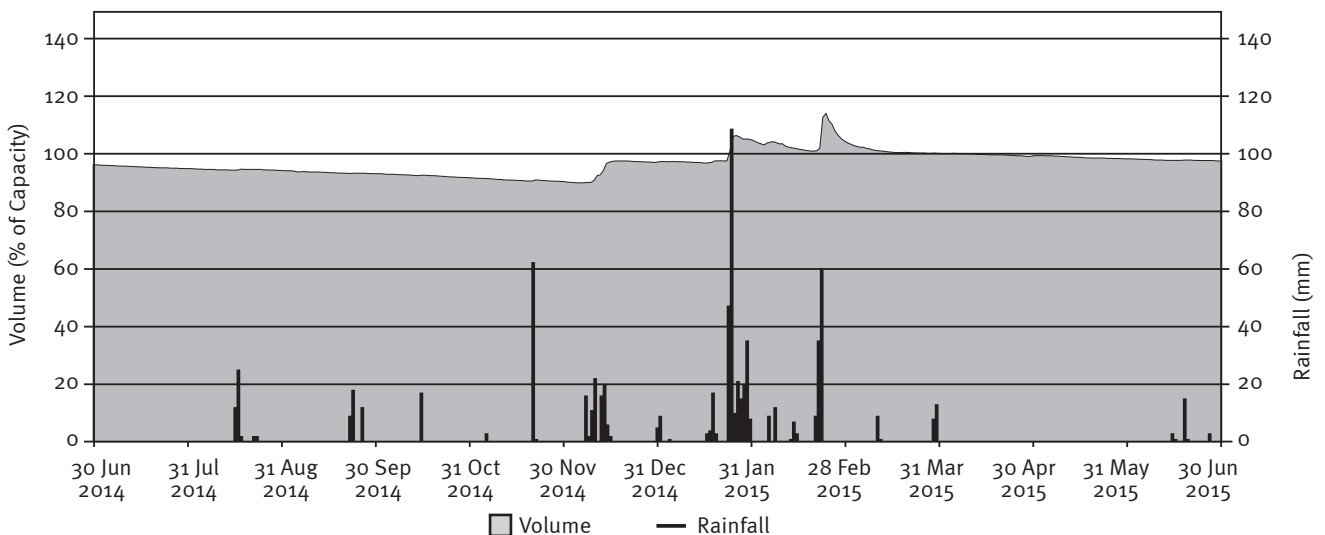
Figure 1: Location of Awoonga Dam, Main Spillway, Saddle Dam 3 and Saddle 6



An average 1,127 mm of rain was recorded at monitoring stations in the Boyne River catchment above Lake Awoonga over the year to 30 June 2015 (2013/14: 767 mm), slightly more than the mean annual rainfall (approximately 850 mm). Inflows into Lake Awoonga in the period were approximately 420,000 ML (2013/14: 115,000 ML), including peak daily inflows of approximately 66,000 ML on 21 February 2015 (following rainfall from ex-Tropical Cyclone Marcia). 280,000 ML was released from Lake Awoonga for environmental purposes during 2014/15, and 47,000 ML was pumped from the lake for sale to GAWB's customers.

Awoonga Dam was near full capacity throughout the reporting year, peaking on 22 February 2015 at 41.50 m (113.67% of capacity). The water level on 30 June 2015 was 39.68 m AHD. This corresponds to a storage volume of 755,379 ML or 97.24% of full supply level (40.0m) capacity. The lowest level during the reporting period was 38.77 m (89.68% of capacity).

Figure 2: Awoonga Dam Level and Rainfall Data – June 2014 to June 2015

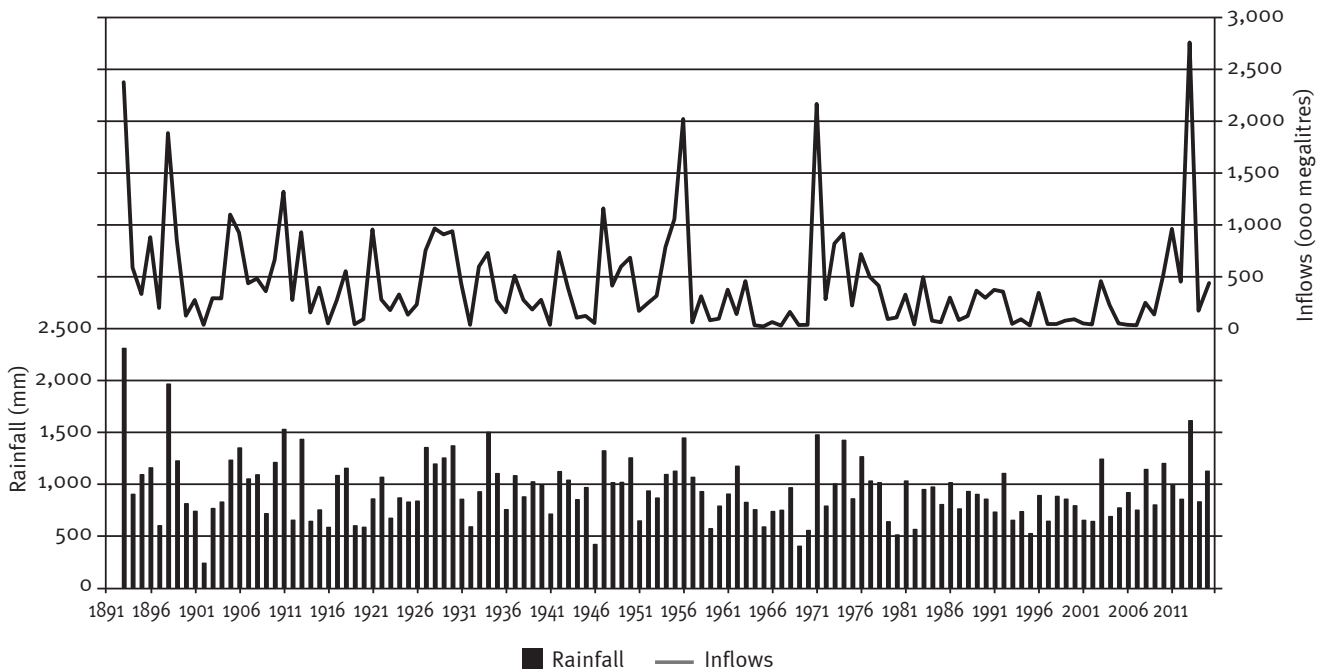


Review continued

Historical storage levels

Storage Level	Date	Level (m AHD)	Volume (ML)	Capacity (%)	Surface area (ha)
Storage at end of reporting period	30 June 2015	39.68	755,379	97.24	6,653
Level one year ago	30 June 2014	39.53	745,441	95.96	6,594
Level two years ago	30 June 2013	39.90	770,113	99.13	6,740
Level three years ago	30 June 2012	39.84	766,069	98.61	6,716
Lowest level	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 in reporting period	22 February 2015	41.50	883,071	113.67	7,379
Highest level	27 January 2013	48.30	1,498,586	192.90	10,810

Figure 3: Rainfall and Inflow Data 1893 to 2015



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 actual inflows during the worst three years in recorded history (2004–2007 – Figure 3) (as required by risk management under GAWB’s Drought Management Plan (DMP)) and current known demand, 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, the Awoonga ROL and the requirements of its DWQMP.

GAWB supplies potable water under an approved DWQMP. 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 remained compliant with Australian Drinking Water Guidelines and met or exceeded the standards required by GAWB’s DWQMP throughout the reporting 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.

In February 2015, GAWB faced the challenges of a magnitude 5.1 earthquake 125 km south of Awoonga Dam and the near passage of Tropical Cyclone Marcia. On each occasion, GAWB's Awoonga Dam EAP was implemented as written and rehearsed. There was minimal interruption to GAWB's operations, and water supply to customers was not affected. Lessons learned from these experiences (which centre around internal and external communications and technical aspects of resiliency in water network operations) will feed into revisions of the EAP.

Preparations have commenced for the implementation of replacement ERP software. The new software includes an asset management solution which will provide greater capability for managing GAWB's assets.

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.

The structural refurbishment of Awoonga Dam Pump Station was completed during 2014/15. Upgrade works currently in progress include:

- » replacement of the variable speed motor drives at Awoonga Dam Pump Station
- » process optimisation and common upgrades at the Gladstone Water Treatment Plant (WTP) to ensure water quality is maintained when the plant is operating at maximum capacity and during periods of unfavourable raw water quality
- » replacement of the high voltage electrical switchboard and pump station reconfiguration at the Gladstone WTP
- » pipeline replacements, targeting high risk sections based on failure history, age, installed environment, operating pressure and failure consequence and
- » structural refurbishment of reservoirs and pump stations.

In response to recent increased treated water demand which exceed capacity limits of existing infrastructure at the Yarwun WTP, GAWB is planning network modifications to increase the availability of treated water in the Northern Industrial Zone (including the Gladstone State Development Area Yarwun precinct). This will be achieved by connecting the Northern Industrial Zone with the Curtis Island water supply pipeline, which has spare capacity following reductions in LNG construction activities on Curtis Island. GAWB has engaged with customers to determine their current and short term future water needs, and is negotiating changes to customer water supply agreements and arrangements prior to committing to any works.

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 2014/15 tenure 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 456 hectares of land in the Boyne Valley
- » ensuring that GAWB fulfils its duty of care obligations under the *Aboriginal Cultural Heritage Act 2003* and
- » preparing a closure report to the Coordinator-General demonstrating compliance with the 2001 *Raising of the Awoonga Dam (Boyne River) Environmental Impact Statement Assessment Report*.

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 landholders.

Catchment management

The main risks to raw water quality in Lake Awoonga are the land uses and natural geological and environmental features of the upper Boyne River catchment, over which GAWB has limited or no control. GAWB is an active member of the Fitzroy Basin Association's Boyne Calliope Catchment Management Group, which promotes landholder activities that maintain and improve water quality, riparian fencing and off-stream watering points for cattle. GAWB also actively monitors development activities both above and immediately below 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 and risks to life and property in the lower Boyne River valley.

Review continued

Weed and pest animal management

GAWB continues to implement its Weed and Pest Animal Management Plan for land it owns and manages in the Boyne Valley around Lake Awoonga, and also 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.

Conservation management

GAWB's updated Conservation Management Plan for the heritage-listed Glengarry Homestead was approved by DEHP during the year, and stabilisation works carried out in accordance with the plan.

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 (an environmental obligation associated with the 2002 raising of Awoonga Dam to 40.0 m). Some commercial sales are also undertaken to help offset operating costs. 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 2014/15 to replace current stock, ensuring continuity of hatchery spawning activities whilst contributing to the genetic diversity of the Lake Awoonga population. GAWB produced 465,000 fingerlings, of which 147,000 were sold to restocking groups and aquaculture ventures in the region.

During the year, 318,000 barramundi fingerlings were released into Lake Awoonga. In total, GAWB has released more than 5.3 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 2014/15, 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 19 turtles admitted to the triage: 12 have been successfully rehabilitated and released, and two remained in care at 30 June 2015.

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 \$12.567 million for the year ended 30 June 2015 (2013/14: \$10.558 million).

Full year water revenue totalled \$70.528 million (64,318 ML reserved; 45,906 ML supplied) (2013/14: \$67.382 million (62,780 ML reserved; 46,821 ML supplied)) compared to the target for the year of \$67.735 million (61,898 ML reserved; 52,923 ML supplied).

Net cash generated by operating activities totalled \$31.705 million (2013/14: \$21.414 million). GAWB held cash and cash equivalents of \$28.485 million at 30 June 2015 (\$29.030 million at 30 June 2014).

Capital expenditure for the year totalled \$19.221 million (2013/14: \$18.253 million).

Total equity has increased to \$326.028 million at 30 June 2015 (\$291.241 million at 30 June 2014). Additional borrowings of \$3.500 million were drawn down during the year and repayments amounted to \$7.812 million. GAWB's debt/equity ratio was 41% at 30 June 2015.

During 2014/15, GAWB finalised the renewal of its borrowing arrangements from 1 July 2015, including transitioning to interest-only payments.

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 developed by GAWB and most recently reviewed by the QCA during the 2015 Price Monitoring Investigation (which was completed on 29 May 2015). This regulatory review process ensures that GAWB's water prices are reflective of the efficient expenditure necessary to supply customers. This cost reflectivity is essential in providing customers with appropriate price signals in relation to their consumption of water.

The recovery of efficient expenditure in the water price also ensures that GAWB can meet customer water supply needs through receiving adequate revenue to carry out its functions as an essential service provider.

GAWB lodged its submissions to the 2015 Price Monitoring Investigation on 30 September 2014, and lodged further submissions in response to the QCA's draft report on 30 March 2015. In its submissions, GAWB advocated a trailing average cost of debt approach to determination of the WACC which was in accordance with the determinations of other Commonwealth and other State economic regulators. This approach would have resulted in lower price volatility in the short and longer terms, but was rejected by the QCA. The QCA chose to maintain its past practice of resetting the WACC using an 'on-the-day' approach which will result in higher price volatility at subsequent price reviews.

The QCA's final report was published on 29 May 2015, and the outcomes of the Price Monitoring Investigation will be implemented in prices from 1 July 2015. The prices charged to GAWB's bulk water customers vary with infrastructure used by individual customers, but will be 17% lower, on average, than prices charged in 2014/15. The key causation factor for this lower price is the significant reduction in GAWB's WACC. The lower prices will lead to reductions in GAWB's revenues and profitability over the 2015/16–2019/20 regulatory period. The WACC applying at 30 June 2015 is historically low due to the current state of debt markets. As such, the 'on-the-day' approach to resetting GAWB's WACC at the subsequent price review will most likely result in a significant price increase.

Customer charges for water delivery through GAWB infrastructure will utilise flow based pricing from 1 July 2015. While this pricing approach is common within the energy sector, GAWB is the first Australian water utility to implement this approach, which allows water prices to better reflect the cost of the infrastructure utilised by each customer.

Review continued

Corporate citizenship

GOAL: To be regarded as a responsible corporate citizen

Safety

GAWB recorded zero LTIs in 2014/15. 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 2015, GAWB had operated for 1,081 days without recording any LTIs.

Environmental responsibility

Environmental stewardship and responsibility is integral to GAWB's operations. GAWB was compliant with environmental legislation and the monitoring, reporting and release requirements of the Awoonga ROL, with no breach notices being received by GAWB or its contractors while working on GAWB projects during the reporting year.

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

Community relations

GAWB did not receive any community complaints during the year.

Expenditure on activities of a 'good corporate citizen' nature during the 2014/15 financial year principally comprised the following sponsorships of community activities and publications in the Gladstone region:

	\$
Community event sponsorships	21,000
Gladstone Healthy Harbour Partnership subscription	10,000
Sponsored advertisements in community publications with a focus on water saving/safety/emergency management	3,996
Total	\$34,996

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

80% of GAWB's permanent staff at 1 July 2014 remained in employment with GAWB at 30 June 2015. GAWB was able to replace staff for the positions vacated during the year or reshape 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 5.1/7 (2013/14: 5.2/7). The outcome is considered a good result having regard to the higher staff turnover experienced in 2014/15.

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.

GAWB is currently undertaking a comprehensive review of its HR policies to ensure that they are concise, effectively drafted, compliant with the current workplace laws, and minimise any potential exposure to liability.

At 30 June 2015, GAWB employed a total of 83 employees (78.3 FTE), down from 86 (81.3 FTE) at 30 June 2014.

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 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

The GAWB Employing Office ceased on 18 February 2015 on the commencement of sections 141 to 170 of the *Water Reform and Other Legislation Amendment Act 2014*. Since its establishment on 6 November 2008, no GAWB staff transferred to the GAWB Employing Office, and it remained dormant until its cessation.

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 progressed the review of its DMP and Strategic Asset Management Plan, which continue to be required under GAWB's water supply agreements with its customers, and will finalise the update of the plans in 2015/16.

Information and communication technologies

GAWB completed its investigation of better ways to access and use information, communication and technology services during 2014/15. Following completion of the investigation and planning phases, GAWB is now implementing new ERP business software using a cloud hosted model, and will commence implementation of new document management software in 2015/16.

GAWB is also preparing for the release of more customer-centric information to its major customers through a recently finalised customer portal within its 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 Board 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 2015, GAWB did not receive any directions or community service obligation notices.



Goals for 2015/16

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> |
|---|--|---|---|

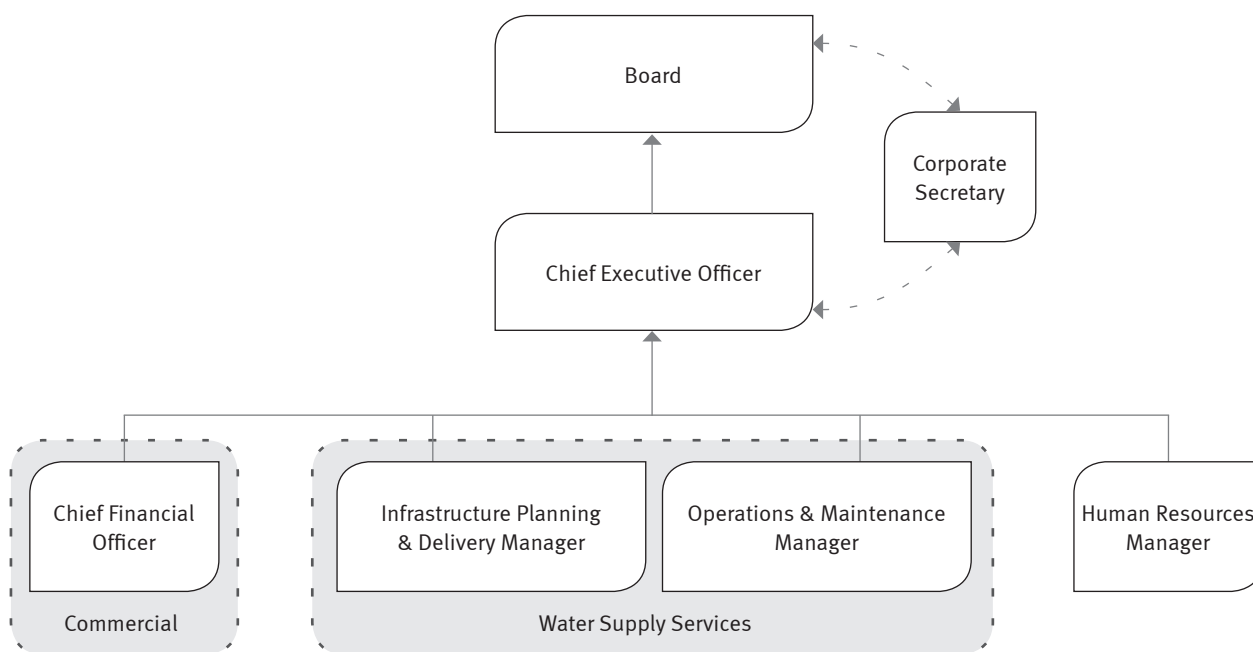
Each of the four business goals is supported by a number of KPMs, business improvement projects and initiatives that are set out in GAWB’s 2015/16 Performance Plan.

The table below identifies GAWB’s key business improvement processes and initiatives for 2015/16. 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
Corporate Governance	GAWB will undertake a comprehensive review of its policy framework with a view to improving the efficiency of Board and management oversight.
Commercial Framework	GAWB will embed the outcomes of the QCA’s 2015 Price Monitoring Investigation into its commercial framework, and will further develop relationships with customers to build mutual understanding of customer needs and critical risks.
Administrative Excellence and Technology Utilisation	GAWB will embed the early outcomes of its Administrative Excellence and Technology Utilisation project into its work processes through the implementation of appropriate enabling technology.
Capability	GAWB will further develop its people resource and refine its organisational culture, to assist GAWB to meet desired outcomes in an environment where there could be an ageing workforce and competition for skilled resources.
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.
Land Rationalisation Program	GAWB will progress the identification, acquisition and disposal of land required for the Lake Awoonga land rationalisation program.
Communications	GAWB will improve communications within its business and with external stakeholders, leveraging appropriate enabling technologies.

Governance

Organisational structure



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 has served on the Board of the Gladstone Economic Industry Development Board (2006 to 2012), as Chair of the AWA Water Management Law and Policy Specialist Network committee (2012 to 2014), 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), Chair of the WSAA Healthy Liveable Communities committee, and a member of the advisory panel for the Gas Industry Social and Environmental Research Alliance.

Governance continued

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, economic regulation, procurement and information, communication and technology.

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 infrastructure and civil engineering projects for heavy industry, mines, and local government throughout Central Queensland, and seven years experience on water resource management and the design and operation of 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. He leads the Operations & Maintenance Team accountable for the operation of the bulk raw and potable water supply networks. John's portfolio includes the management of GAWB-owned facilities at Lake Awoonga, and GAWB managed land around the Lake Awoonga catchment. He has a career background in maintenance in the power generation and resource sectors in New South Wales, South Australia, Queensland and Western Australia. Prior to joining GAWB, John was Maintenance Manager for the Port Hedland Port Authority, which operates a major bulk export port in Western Australia.

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 22 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.

The Audit & Risk Management Committee (to April 2015)/Audit Committee (from April 2015) assisted the Board in discharging its functions in 2014/15 by providing oversight and facilitating a more detailed analysis of the specialised areas of audit and (to April 2015) risk management. The Committee is governed by a charter and reports to the Board following committee meetings. With the exception of risks directly related to the Audit Committee Charter, oversight of risk management is now undertaken by the Board.

The Board has decided that, as a small Board, it will convene additional meetings as and when required to provide focus to particular issues of relevance rather than maintain a number of standing committees. Consistent with this decision, the Board has resolved to hold two additional meetings each year to address capital works issues.

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 Directors are appointed for terms of up to three years by the Governor in Council. One Director (whose term of office expires on 30 September 2015) was nominated by GRC. The Chief Executive of DEWS nominated the remaining four Directors (whose terms of office expire on 27 June 2017), including the Board's Chairperson.

A Director continues to hold office after the Director's term ends until a successor is appointed.

Conflicts of interest

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

Board processes

The Board of Directors of GAWB meets on a monthly basis and more regularly as circumstances require. During 2014/15, the Board met on 18 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 Committee

The former Audit & Risk Management Committee was reconstituted as the Audit Committee on 23 April 2015. The 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 Audit Committee is to provide assurance and advice to the Board on GAWB's control and compliance framework, and its financial statement responsibilities. The committee's responsibilities include oversight of GAWB's internal controls, financial statements, legislative compliance, internal audit processes, governance arrangements and performance reporting framework, and acts as a conduit for communication between the Board, senior management and the external auditors.

During 2014/15, the Committee comprised Ms Boydell (a member and Chairperson of the Committee until her retirement on 31 December 2014), Mr Orange (a member and Chairperson of the Committee from 1 January 2015), Mr Cook and Mr Leinster. The Committee meets quarterly and otherwise as required and met on five occasions during the year. The CEO, other senior executives, external auditors and internal auditors are invited to attend Committee meetings at the discretion of the Committee.

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. It operates pursuant to a formal Charter approved by the Board and has due regard to Treasury's Audit Committee Guidelines. The Audit Committee acts as a forum to oversee the planning, performance and reporting of the internal auditor.

The Audit 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 Audit 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 Audit Committee reviews 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 Audit Committee on four occasions during the year.

The internal audit contractor reports directly to the Board in relation to risk matters which are not directly related to the Audit Committee Charter.



Governance – Human resources

Remuneration

The GAWB Remuneration Policy has the following aims:

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

As a strategy to lead and reinforce corporate objectives, GAWB assesses the work value of each position in accordance with an established job evaluation methodology, and has adopted a classification structure comprising 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 GAWB's 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 is responsible for the appointment and remuneration of the CEO. The Board also, 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 has a capability framework and plan which identifies core and key competencies necessary for the delivery of its objectives. 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 20 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 tabled in Parliament by the Minister. The Annual Report includes relevant information about GAWB's operations during the year, changes in GAWB's state of affairs, comparisons with forecasts set out in the Performance Plan and details of future developments, in addition to the other disclosures required by the *Water Act 2000*, *Financial Accountability Act 2009* and *Financial and Performance Management Standard 2009*.



Governance – Other significant issues

Consultancies

No consultants provided services to GAWB during 2014/15.

Overseas travel

There was no overseas travel undertaken during 2014/15.

Open data

Information in relation to:

- » expenditure on consultants
- » overseas travel
- » the roles, functions, responsibilities and achievements of GAWB
- » the approved fees payable to GAWB's Directors and amounts paid
- » the number of Board and Committee meetings attended by GAWB's Directors and
- » on-costs including travel, accommodation, motor vehicle allowance, consultancy fees, airfares, motor vehicle hire, etc, during 2014/15 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 2014. 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 2014/15.

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

	2011	2012	2013	2014	2015
<i>(megalitres)</i>					
Water sales (volumetric):					
Raw water	31,861	30,994	36,245	34,315	33,973
Potable water	9,217	11,150	11,440	12,506	11,933
Total	41,078	42,144	47,685	46,821	45,906
<i>(thousands of dollars)</i>					
Water sales revenue ¹	42,465	50,946	54,212	67,382	70,528
Total revenue	47,078	58,968	57,756	69,595	72,358
Depreciation and amortisation	(7,291)	(10,565)	(13,623)	(15,162)	(15,996)
Earnings before interest and tax	19,015	27,270	23,280	31,415	34,251
Profit/(loss) before tax	8,767	17,235	12,003	15,025	17,930
Income tax (expense)/benefit	(2,908)	(5,171)	(3,658)	(4,467)	(5,363)
Profit/(loss) after tax	5,859	12,064	8,345	10,558	12,567
Dividends declared	–	(2,344) ²	(2,413) ²	(3,338) ²	(18,500) ²
Total equity	248,154	262,193	273,725	291,241	326,028
Total assets	455,063	534,442	555,835	580,481	638,071
Borrowings	146,170	206,830	211,773	234,015	229,725
Cash from operations before tax	13,256	27,636	28,828	26,296	35,381
Income tax (paid)/refunded	–	(2,786)	(8,004)	(4,882)	(3,676)
Cash from operations after tax	13,256	24,850	20,824	21,414	31,705
Cash flow capital expenditure	11,417 ³	51,113 ⁴	55,477 ⁴	23,422 ⁴	18,802 ⁴
<i>(percent)</i>					
Return on assets	4.34	5.51	4.27	5.49	5.62
Return on equity	2.43	4.73	3.11	3.74	4.07
Debt/equity ratio	37	44	44	45	41
<i>(times)</i>					
Cash flow interest cover ratio	2.16	3.29	3.33	2.61	2.81

¹ Including connection charges.

² Dividends declared in 2014 and earlier (including the \$8,446,000 dividend declared in October 2014) were based on the profits of the preceding financial year and were paid in the financial year they were declared. The \$10,054,000 dividend declared in May 2015 was based on 2014/15 profits and will be paid in 2015/16.

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

⁴ Includes expenditure on intangible assets and excludes capitalised interest.



Gladstone Area Water Board Financial statements

Statement of profit or loss and other comprehensive income.	... 28
Statement of changes in equity. 29
Statement of financial position. 30
Statement of cash flows 31
Notes to the financial statements 32
Management certification of the financial statements 61
Independent Auditor's report 62

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2015

	Notes	2015 \$000	2014 \$000
Revenue			
Water supply		58,653	56,288
Curtis Island infrastructure and operating charges		11,875	11,094
Total water revenue		70,528	67,382
Grants and other contributions		1,332	1,392
Other income		498	821
Total revenue		72,358	69,595
Expenditure			
Chemicals		(632)	(738)
Contracted, professional, technical and other services		(2,730)	(2,656)
Electricity		(2,212)	(2,250)
Insurance		(718)	(743)
Labour and on costs	6	(8,879)	(9,201)
Maintenance		(2,429)	(2,840)
Motor vehicle expenses		(711)	(805)
Depreciation	4	(13,028)	(12,366)
Amortisation	5	(2,968)	(2,796)
Other expenses		(3,800)	(3,785)
Total expenditure		(38,107)	(38,180)
Results from operating activities		34,251	31,415
Finance income and costs			
Finance income		798	364
Finance costs		(17,119)	(16,754)
Net finance costs		(16,321)	(16,390)
Profit/(loss) before income tax equivalents		17,930	15,025
Income tax equivalents (expense)/benefit	8	(5,363)	(4,467)
Profit/(loss) for the year		12,567	10,558
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Increase in asset revaluation surplus	9	57,966	14,708
Deferred tax on revaluations	9	(17,246)	(4,412)
<i>Total that will not be reclassified subsequently to profit or loss</i>		40,720	10,296
<i>Items that may be reclassified to profit or loss</i>			
		-	-
Total other comprehensive income, net of tax		40,720	10,296
Total comprehensive income for the year		53,287	20,854

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 2015

	Notes	Contributed equity \$000	Asset revaluation surplus \$000	Retained earnings \$000	Total equity \$000
Balance at 1 July 2013	9	64,647	179,416	29,662	273,725
Comprehensive income for the period					
Operating result from continuing operations	9	-	-	10,558	10,558
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus	9	-	14,708	-	14,708
Deferred tax on revaluations	9	-	(4,412)	-	(4,412)
Transfer of increments on disposal of assets	9	-	(397)	397	-
Total comprehensive income for the period		-	9,899	10,955	20,854
Transactions with owners					
Equity contributions	9	-	-	-	-
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
Balance at 1 July 2014	9	64,647	189,315	37,279	291,241
Comprehensive income for the period					
Operating result from continuing operations	9	-	-	12,567	12,567
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus	9	-	57,966	-	57,966
Deferred tax on revaluations	9	-	(17,246)	-	(17,246)
Transfer of increments on disposal of assets	9	-	(478)	478	-
Total comprehensive income for the period		-	40,242	13,045	53,287
Transactions with owners					
Equity contributions	9	-	-	-	-
Dividends paid		-	-	(8,446)	(8,446)
Dividends proposed	15	-	-	(10,054)	(10,054)
Total transactions with owners		-	-	(18,500)	(18,500)
Balances at 30 June 2015		64,647	229,557	31,824	326,028

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 2015

	Notes	2015 \$000	2014 \$000
Current assets			
Cash and cash equivalents	10(a)	28,485	29,030
Trade and other receivables	11	13,630	15,913
Inventory		810	502
Assets held for sale		–	130
Total current assets		42,925	45,575
Non-current assets			
Property, plant and equipment	4	576,332	516,127
Intangible assets	5	18,783	18,754
Biological assets		31	25
Total non-current assets		595,146	534,906
Total assets		638,071	580,481
Current liabilities			
Trade and other payables	12	4,961	5,138
Loans and borrowings	13	–	7,844
Employee benefits	14	1,267	1,111
Provisions	15	10,212	128
Revenue received in advance		1,226	1,391
Current tax liabilities		3,441	292
Total current liabilities		21,107	15,904
Non-current liabilities			
Loans and borrowings	13	229,725	226,171
Employee benefits	14	332	379
Revenue received in advance		5,266	6,387
Deferred tax liabilities	16	55,487	39,703
Provisions	15	125	686
Other non-current liabilities		1	10
Total non-current liabilities		290,936	273,336
Total liabilities		312,043	289,240
Net assets		326,028	291,241
Equity			
Issued capital	9	64,647	64,647
Asset revaluation surplus	9	229,557	189,315
Retained earnings	9	31,824	37,279
Total equity		326,028	291,241

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 2015

	Notes	2015 \$000	2014 \$000
Cash flows from operating activities			
Receipts from customers		70,807	64,635
Interest received		798	364
Payments to employees		(8,819)	(9,092)
Payments to suppliers and services		(10,785)	(13,509)
Borrowing costs paid		(16,715)	(16,118)
		35,286	26,280
GST paid to suppliers		(3,158)	(5,775)
GST input tax credits from ATO		3,214	6,095
GST collected from customers		1,427	2,380
GST remitted to ATO		(1,388)	(2,684)
Total GST		95	16
Income taxes (paid)/refunded		(3,676)	(4,882)
Net cash from operating activities	10(b)	31,705	21,414
Cash flows from investing activities			
Acquisition of property, plant & equipment		(15,805)	(22,510)
Interest paid on construction of property, plant & equipment		-	(191)
Acquisition of intangible assets		(2,997)	(912)
Proceeds from sale of property, plant & equipment		165	1,755
Costs on disposal of property, plant & equipment		(272)	-
Security deposits received		-	173
Security deposits paid/applied		(464)	(1,060)
Curtis Island advances on account		(119)	(5,427)
Net cash used in investing activities		(19,492)	(28,172)
Cash flows from financing activities			
Proceeds from equity contributions		-	-
Dividends paid		(8,446)	(3,338)
Proceeds from borrowings		3,500	28,600
Repayment of borrowings		(7,812)	(6,453)
Net cash from financing activities		(12,758)	18,809
Net increase in cash and cash equivalents		(545)	12,051
Cash and cash equivalents at 1 July		29,030	16,979
Cash and cash equivalents at 30 June	10(a)	28,485	29,030

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 2015

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 20 August 2015.

(b) Basis of measurement

Historical cost convention

The financial statements have been prepared on the historical cost basis, except for certain property, plant and equipment which are measured at fair value.

The methods used to measure fair value are discussed further in Notes 2(e), 3(a) and 4.

(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.

Notes to the financial statements

for the year ended 30 June 2015

2. Basis of preparation (continued)

(e) Fair value measurement

Fair value measurement is applied to 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.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by GAWB include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by GAWB include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of GAWB's assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Material valuation issues are reported to the Audit Committee. GAWB has an established control framework with respect to the measurement of fair values. The Chief Financial Officer (CFO) oversees all significant fair value measurements, including Level 3 fair values. Discussion of valuation processes and results are held between the CFO and the Audit Committee throughout the financial year and at financial year end.

Assets and liabilities are categorised within the following fair value hierarchy based on the data and assumptions used in the most recent specific appraisals:

- Level 1: represents fair value measurements that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: represents fair value measurements for inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: represents fair value measurements that are inputs for the asset or liability which are derived from unobservable inputs.

Transfers between fair value hierarchy levels are recognised at the end of the reporting period. There were no transfers of assets between fair value hierarchy levels during the period.

Property, plant and equipment are categorised as level 3. Further disclosures regarding level 3 financial assets are included in Notes 3(a) and 4.

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(a) – Property, plant and equipment (useful lives and revaluation)
- Note 3(b) – Intangible assets (useful lives)
- Note 3(d) – Impairment (of financial and non-financial assets)
- Note 3(e) – Employee benefits
- Note 17 – Financial risk management.

Notes to the financial statements

for the year ended 30 June 2015

3. Significant accounting policies

(a) 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 AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*, 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 post-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 2015, a comprehensive revaluation was undertaken internally by GAWB on the basis outlined in Note 4. In the years since the previous comprehensive valuation, directors assessed whether the carrying value differed materially from the fair value by using an indexed approach where the carrying value of the asset was indexed by reference to the annual CPI movement for the year ended 31 March.

Revaluations are brought to account where the existing carrying value differs materially to the current fair value using this income approach. From 1 July 2014, Queensland Treasury requires prospective application of the net method on revaluation when the income based valuation approach is applied. For 30 June 2015 disclosures, depreciation and impairment losses have been netted off against the gross amount of revalued assets in line with this requirement. Comparative disclosures for 30 June 2014 reflect the gross method and therefore a different method of revaluation. From 1 July 2015, revalued asset disclosures will only show accumulated depreciation and accumulated impairment losses recognised since the last revaluation.

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.

Notes to the financial statements

for the year ended 30 June 2015

3. Significant accounting policies (continued)

(a) Property, plant and equipment (continued)

(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.

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

	2015	2014
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(d).

(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.

Notes to the financial statements

for the year ended 30 June 2015

3. Significant accounting policies (continued)

(b) 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 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 9 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 2015, the Lower Fitzroy River Infrastructure Project has not yet received State and Commonwealth environmental approvals with the Environmental Impact Statement finalised for review by the Office of the Coordinator-General. 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(d).

(c) Leases

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.

Notes to the financial statements

for the year ended 30 June 2015

3. Significant accounting policies (continued)

(d) Impairment

(i) Financial assets

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

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

Financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. 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.

(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 are largely 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 post-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 2015

3. Significant accounting policies (continued)

(e) Employee benefits

(i) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and long service 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 high quality corporate 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.

(f) Revenue recognition

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.

(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 based on the price determined through application of the approved QCA pricing principles, as specified in the individual agreements. Revenue from the installation of customer connections and the provision of services is recognised based on work completed at balance date.

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

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

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

(ii) Services

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

Notes to the financial statements

for the year ended 30 June 2015

3. Significant accounting policies (continued)

(g) Finance income and costs

Finance income comprises interest income on funds invested, 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, and impairment losses recognised on financial assets. Borrowing costs directly attributable to the acquisition, construction or production of an 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.

(h) 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 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;
- related to investment in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future; and
- 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 probable 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 probable that the related tax equivalent benefit will be realised.

(i) 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.

(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.

Notes to the financial statements

for the year ended 30 June 2015

3. Significant accounting policies (continued)

(k) 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 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* 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. There was no impact on GAWB regarding this accounting standard.
- AASB 2013-3 *Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets* requires additional disclosures when the recoverable amount of impaired assets is based on fair value less costs of disposal. As GAWB tests impairment based on value in use no change in disclosures has been required.
- AASB 2014-1 *Part A – Annual Improvements 2010–2012 Cycle* amended various standards, including AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* to clarify that the calculation of accumulated depreciation is not dependent on valuation techniques, rather it is the difference between gross and net carrying amounts (as currently applied by GAWB). The AASB 124 *Related Party Disclosures* definition of related parties was amended to include management entities providing Key Management Personnel (KMP) services and requires separate disclosure of payments to these entities.

(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 2016 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, AASB 2013-9, AASB 2014-1 Part E, AASB 2014-7 and AASB 2014-8 amend the classification, recognition, derecognition and measurement of financial assets and liabilities. AASB 2014-7 amended the effective date from 1 January 2017 to 1 January 2018. An assessment of the likely impact of this standard will be made in the financial statements for 30 June 2017. The change is not expected to have a material impact.
- AASB 14 *Regulatory Deferral Accounts* applies to the 2016/17 financial report and permits first-time adopters of Australian Accounting Standards to account for rate regulation amounts in accordance with previous GAAP or, if electing to apply AASB 14, presenting the effect of rate regulation separately from other items. GAWB currently falls outside the scope of this standard.
- AASB 15 *Revenue from Contracts with Customers* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* replaces AASB 11 *Construction Contracts* and AASB 18 *Revenue* and related interpretations, effective from the 2017/18 financial report. AASB 15 provides a comprehensive framework for revenue recognition. The change is not expected to have a material impact.
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* is effective from the 2016/17 financial report. It amends several standards including AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (to include 'assets held for distribution to owners' as a disposal category), AASB 7 *Financial Instruments: Disclosures* (to provide guidance on the disclosure of servicing contracts on transferred financial assets) and AASB 119 *Employee Benefits* (to provide guidance on the discount rate for post-employment benefit obligations in regional markets with currencies where there is no deep market in high quality corporate bonds). The change is not expected to have a material impact.
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* clarifies disclosure requirements in AASB 101 particularly to ensure entities apply professional judgement to determine disclosure content, effective for the 2016/17 financial report. The change is not expected to have a material impact.
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, effective for the 2015/16 financial report. This allows the withdrawal of AASB 1031 with materiality guidance now located within the *Framework for the Preparation and Presentation of Financial Statements*, AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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

(l) Comparatives

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

Notes to the financial statements

for the year ended 30 June 2015

	2015 \$000	2014 \$000
4. Property, plant and equipment		
Land, buildings & improvements		
Land:		
At directors' valuation	12,822	11,460
Buildings & improvements:		
At directors' valuation	24,818	18,988
Accumulated depreciation	–	(8,296)
Total land, buildings & improvements	37,640	22,152
Infrastructure assets		
At directors' valuation	528,739	599,345
Accumulated depreciation	–	(117,695)
Total infrastructure assets	528,739	481,650
Minor plant & equipment		
At cost	6,187	6,050
Accumulated depreciation	(3,197)	(2,899)
Total minor plant & equipment	2,990	3,151
Motor vehicles		
At cost	105	105
Accumulated depreciation	(66)	(46)
Total motor vehicles	39	59
Assets under construction		
At cost	6,924	9,115
Total property, plant and equipment carrying amount	576,332	516,127

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 internally by GAWB as at 30 June 2015 using the following key assumptions and approach:

- GAWB's assets are subject to economic regulation and it is assumed that they will continue to be subject to monopoly price oversight in the future.
- Post-tax cash flows have been projected based on forecasts of prudent and efficient capital expenditure, operating costs and revenue consistent with GAWB's planning projections for the regulatory period to June 2020 covered by the QCA's 2015 Final Report on GAWB's Pricing Practices. Projected post-tax cash flows have then been discounted at the post-tax WACC rate of 5.77%.
- Revenue cash flows for the 2015–2020 regulatory period incorporates an allowance for price rebates provided to certain customers, which generally equates to an amount comprising both return on investment and return of investment for those assets funded by those customers. The terminal value of these customer rebates, at 30 June 2020 have been factored into the cash flows.
- The residual value of assets, which also includes the regulatory allowance for recovery of working capital at 30 June 2020 represents the estimated 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 and therefore a multiplier of 1 has been used to reflect this. 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 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 2020 is \$124.520 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 of the *Water Act 2000*.

Notes to the financial statements

for the year ended 30 June 2015

4. Property, plant and equipment (continued)

Comprehensive valuation of property, plant and equipment (continued)

For the 30 June 2014 revaluation, the movement in March consumer price index (CPI) (Brisbane All groups) of 3.137% 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 land, buildings & improvements and infrastructure assets of \$566.379 million (2014: \$503.802 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The sensitivity of these fair values to changes in unobservable inputs is assessed as being low, as GAWB's pricing principles and comprehensive valuation are reflective of the QCA's 2015 pricing investigation outcomes.

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 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)	-
Depreciation	(609)	(11,153)	(584)	(20)	-	(12,366)
Revaluation increment/(decrement)*	570	14,138	-	-	-	14,708
Carrying amount at 30 June 2014	22,152	481,650	3,151	59	9,115	516,127
Carrying amount at 1 July 2014	22,152	481,650	3,151	59	9,115	516,127
Additions	-	-	-	-	16,224	16,224
Disposals	(106)	(354)	(24)	-	(473)	(957)
Transfers	13,247	4,214	481	-	(17,942)	-
Depreciation	(1,488)	(10,902)	(618)	(20)	-	(13,028)
Revaluation increment/(decrement)*	3,835	54,131	-	-	-	57,966
Carrying amount at 30 June 2015	37,640	528,739	2,990	39	6,924	576,332

* Revaluation increment/(decrement) movements are disclosed in Other comprehensive income.

Categorisation of fair values	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 June 2014				
Land, buildings & improvements	-	-	22,152	22,152
Infrastructure assets	-	-	481,650	481,650
Carrying amount at 30 June 2014	-	-	503,802	503,802
30 June 2015				
Land, buildings & improvements	-	-	37,640	37,640
Infrastructure assets	-	-	528,739	528,739
Carrying amount at 30 June 2015	-	-	566,379	566,379

Notes to the financial statements

for the year ended 30 June 2015

4. Property, plant and equipment (continued)

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).

	2015 \$000	2014 \$000	
Land, buildings and infrastructure at deemed historical cost			
Land	8,246	8,237	
Buildings	20,356	7,162	
Infrastructure	348,268	344,712	
Total cost	376,870	360,111	
Level 3 fair value reconciliation			
	Land & buildings \$000	Infrastructure assets \$000	Total \$000
Carrying amount at 1 July 2013	19,726	461,572	481,298
Acquisitions	2,465	17,605	20,070
Disposals	–	(512)	(512)
Depreciation	(609)	(11,153)	(11,762)
Gains/(losses) recognised in other comprehensive income	570	14,138	14,708
Carrying amount at 30 June 2014	22,152	481,650	503,802
Carrying amount at 1 July 2014	22,152	481,650	503,802
Acquisitions	13,247	4,214	17,461
Disposals	(106)	(354)	(460)
Depreciation	(1,488)	(10,902)	(12,390)
Gains/(losses) recognised in other comprehensive income	3,835	54,131	57,966
Carrying amount at 30 June 2015	37,640	528,739	566,379

Notes to the financial statements

for the year ended 30 June 2015

2015
\$000

2014
\$000

5. Intangible assets

Software

At cost	1,490	1,182
Accumulated amortisation	(996)	(878)
Total software	494	304

Land reservations

At cost	116	104
Accumulated amortisation	–	–
Total land reservations	116	104

Easements

At cost	558	419
Accumulated amortisation	–	–
Total easements	558	419

CSS development costs

At cost	33,137	32,388
Accumulated amortisation	(11,080)	(8,313)
Accumulated impairment losses	(6,773)	(6,773)
Total CSS development costs	15,284	17,302

Assets under construction

At cost	2,331	625
	18,783	18,754

	Software \$000	Land reservations \$000	Easements \$000	CSS development costs \$000	Assets under construction \$000	Total \$000
Balance at 1 July 2013	133	52	452	19,163	219	20,019
Additions	–	–	–	–	1,531	1,531
Transfers	277	52	(33)	829	(1,125)	–
Amortisation	(106)	–	–	(2,690)	–	(2,796)
Balance at 30 June 2014	304	104	419	17,302	625	18,754
Balance at 1 July 2014	304	104	419	17,302	625	18,754
Additions	–	–	–	–	2,997	2,997
Transfers	392	12	139	748	(1,291)	–
Amortisation	(202)	–	–	(2,766)	–	(2,968)
Balance at 30 June 2015	494	116	558	15,284	2,331	18,783

Notes to the financial statements

for the year ended 30 June 2015

	2015 \$000	2014 \$000
6. Labour and on costs		
Wages and salaries	6,712	6,645
Contributions to superannuation plans	733	726
Annual leave expense	635	629
Long service leave expense	135	162
On costs and other	225	262
Direct employment costs	8,440	8,424
Labour hire costs	153	393
Other labour related costs	286	384
Total labour and on costs	8,879	9,201

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

GAWB employed 78.3 full-time equivalent employees as at 30 June 2015 (2014: 81.3 FTEs). 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 \$0.733 million for the financial year ended 30 June 2015 (2014: \$0.726 million).

Workers' compensation insurance premium

The amount recognised as an expense for workers' compensation insurance was \$0.080 million for the financial year ended 30 June 2015 (2014: \$0.130 million).

7. Auditors' remuneration

Audit services

Queensland Audit Office		
Audit and review of financial reports	59	65

For the 30 June 2015 audit, the amount quoted for the audit fee was \$0.059 million (2014: \$0.054 million). There are no non-audit services included in these amounts.

Notes to the financial statements

for the year ended 30 June 2015

2015
\$000

2014
\$000

8. Income tax equivalents

Recognised in the statement of comprehensive income

Current tax equivalents (expense)/benefit

Current year	(6,862)	(5,794)
--------------	---------	---------

Deferred tax equivalents (expense)/benefit

Origination and reversal of temporary differences	1,499	1,327
---	-------	-------

Total income tax (expense)/benefit	(5,363)	(4,467)
------------------------------------	---------	---------

Numerical reconciliation between tax expense and pre-tax net profit

Profit/(loss) for the year	12,567	10,558
----------------------------	--------	--------

Total income tax expense/(benefit)	5,363	4,467
------------------------------------	-------	-------

Profit/(loss) excluding income tax equivalents expense	17,930	15,025
--	--------	--------

Income tax equivalents (expense)/benefit calculated at 30%	(5,379)	(4,507)
--	---------	---------

Income tax equivalents (under)/over provided in prior years	19	42
---	----	----

Non-deductible entertainment	(3)	(2)
------------------------------	-----	-----

	(5,363)	(4,467)
--	---------	---------

9. 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	189,315	179,416
-------------------	---------	---------

Revaluation increments/(decrements)	57,966	14,708
-------------------------------------	--------	--------

Deferred tax on revaluations	(17,246)	(4,412)
------------------------------	----------	---------

Transfer of increments on disposal of assets – net of tax	(478)	(397)
---	-------	-------

Balance at 30 June	229,557	189,315
--------------------	---------	---------

Asset revaluation surplus

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	37,279	29,662
-----------------------------	--------	--------

Transfer of increments on disposal of assets	478	397
--	-----	-----

Dividends paid	(8,446)	(3,338)
----------------	---------	---------

Dividends proposed	(10,054)	-
--------------------	----------	---

Profit/(loss) for the year	12,567	10,558
----------------------------	--------	--------

Retained earnings at 30 June	31,824	37,279
------------------------------	--------	--------

Notes to the financial statements

for the year ended 30 June 2015

	2015 \$000	2014 \$000
10(a) Cash and cash equivalents		
Cash at bank	4,254	1,691
Deposits at Queensland Treasury Corporation, at call	24,231	27,339
	28,485	29,030

10(b) Reconciliation of cash flows from operating activities

Operating profit/(loss) after income tax equivalents	12,567	10,558
Adjustment for: Depreciation	13,028	12,366
Amortisation	2,968	2,796
Net (gain)/loss on sale of property, plant and equipment	404	321
	28,967	26,041
Change in assets and liabilities:		
(Increase)/decrease in trade receivables	425	(3,925)
(Increase)/decrease in capital projects receivables	455	91
(Increase)/decrease in other receivables & prepayments	1,607	20
(Increase)/decrease in deferred tax assets	(527)	(400)
Increase/(decrease) in trade creditors	(170)	-
Increase/(decrease) in operating accruals	443	1,045
Increase/(decrease) in deferred tax liabilities	16,311	4,627
Increase/(decrease) in employee benefits	109	148
Increase/(decrease) in current tax liabilities	3,148	(230)
Increase/(decrease) in provisions	(531)	(279)
Increase/(decrease) in deferred income	(1,286)	(1,312)
Increase/(decrease) in tax re asset revaluation surplus	(17,246)	(4,412)
Net cash from operating activities	31,705	21,414

11. Trade and other receivables

Current

Trade receivables	8,327	8,752
Other receivables and prepayments	785	2,392
Capital project receivables	45	195
Capital project payments on account	4,473	4,574
	13,630	15,913

Refer to Note 17(b) Financial risk management (Credit risk) for an ageing analysis and details of impairment (if any).

Notes to the financial statements

for the year ended 30 June 2015

2015
\$000

2014
\$000

12. Trade and other payables

Current		
Trade creditors	756	906
Accrued audit fees	24	54
Security deposits	146	599
Capital works accruals	–	17
Other accruals	4,035	3,562
	4,961	5,138

13. Loans and borrowings

GAWB has a working capital facility of \$10.000 million (2014: \$10.000 million) available through Queensland Treasury Corporation (QTC) to assist in managing short term cash requirements.

Finance facilities

Available at reporting date	239,725	244,015
Utilised at reporting date (current and non-current loans and borrowings – unsecured)	(229,725)	(234,015)
	10,000	10,000

Finance lease liabilities

GAWB has no finance lease liabilities.

14. Employee benefits

Current		
Liability for long service leave	458	367
Liability for annual and other leave	809	744
	1,267	1,111
Non-current		
Liability for long service leave	332	379

15. Provisions

Current		
Dividend	10,054	–
ILUA liability	128	128
Restoration	30	–
	10,212	128
Non Current		
Price differentiation surcharge	–	561
Restoration	125	125
	125	686

Notes to the financial statements

for the year ended 30 June 2015

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Property, plant & equipment	381	334	(63,208)	(46,619)	(62,827)	(46,285)
Intangible assets	5,012	4,181	-	-	5,012	4,181
Other assets	-	-	(94)	(536)	(94)	(536)
Trade & other payables	182	13	(164)	-	18	13
Employee benefits	480	447	-	-	480	447
Provisions	8	-	-	-	8	-
Unearned income	-	168	-	-	-	168
Revenue received in advance	1,916	2,309	-	-	1,916	2,309
Tax assets/(liabilities)	7,979	7,452	(63,466)	(47,155)	(55,487)	(39,703)

Movement in temporary differences during the year:

	Balance 1 July 2013 \$000	Recognised in income \$000	Under/over prior years \$000	Recognised in equity \$000	Balance 30 June 2014 \$000
Property, plant and equipment	(42,185)	312	-	(4,412)	(46,285)
Intangible assets	3,384	797	-	-	4,181
Other assets	(44)	(492)	-	-	(536)
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)

	Balance 1 July 2014 \$000	Recognised in income \$000	Under/over prior years \$000	Recognised in equity \$000	Balance 30 June 2015 \$000
Property, plant and equipment	(46,285)	705	(1)	(17,246)	(62,827)
Intangible assets	4,181	831	-	-	5,012
Other assets	(536)	478	(36)	-	(94)
Trade & other payables	13	5	-	-	18
Employee benefits	447	33	-	-	480
Provisions	-	8	-	-	8
Unearned income	168	(168)	-	-	-
Revenue received in advance	2,309	(393)	-	-	1,916
	(39,703)	1,499	(37)	(17,246)	(55,487)

Notes to the financial statements

for the year ended 30 June 2015

17. 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 to monitor the risks and adherence to limits. Exceptions to these limits and controls are reported to the Board as they occur. GAWB's internal auditors also review the risk management policies and processes and report their findings to the Board.

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.

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 initially recognised at fair value. Instruments not recognised at fair value are recorded through profit and loss including any directly attributable transaction costs except as described 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.

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 the 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:

- Receivables – held at amortised cost
- Payables – held at amortised cost
- Borrowings – held at amortised cost.

	Total carrying amount		Net fair value	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Financial Assets				
Cash and cash equivalents:				
Cash at bank and on hand	4,254	1,691	4,254	1,691
Deposits at Queensland Treasury Corporation, at call	24,231	27,339	24,231	27,339
Trade and other receivables	13,630	15,913	13,630	15,913
	42,115	44,943	42,115	44,943
Financial Liabilities				
Interest-bearing liabilities	229,725	234,015	229,846	240,075
Trade and other payables	4,961	5,138	4,961	5,138
	234,686	239,153	234,807	245,213

Notes to the financial statements

for the year ended 30 June 2015

17. Financial risk management (continued)

(b) Credit risk

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

Trade receivables

There is a 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 \$1.391 million of trade receivables at 30 June 2015 (2014: \$1.348 million).

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

	2015	2014
	\$000	\$000
Trade receivables not impaired		
Not due	6,105	5,725
Overdue <31 days	2,221	2,940
Overdue 31–60 days	1	2
Overdue >60 days	–	85
Total	8,327	8,752

As at 30 June 2015 GAWB had current trade receivables of \$Nil (2014: \$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 2015

17. 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:

	2015 \$000	2014 \$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	229,725	234,015
Used at balance date	229,725	234,015
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, \$229.725 million is fully drawn and has a maturity of 20 years (2014: \$234.015 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 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

30 June 2015

Financial liabilities

Trade and other payables	-	-	-	-	4,961	4,961
Interest-bearing liabilities	8,786	35,070	412,546	-	-	456,402
Total	8,786	35,070	412,546	-	4,961	461,363

Interest-bearing liabilities disclosed in the maturity analysis are the contractual undiscounted cash flows of the liabilities 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.

Notes to the financial statements

for the year ended 30 June 2015

17. 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 forward starting loan 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 2014					
Cash at bank	1,691	-	-	-	-
Deposits at Queensland Treasury Corporation, at call	27,339	(273)	(273)	273	273
30 June 2015					
Cash at bank	4,255	-	-	-	-
Deposits at Queensland Treasury Corporation, at call	24,231	(242)	(242)	242	242

Notes to the financial statements

for the year ended 30 June 2015

17. Financial risk management (continued)

(e) Capital risk management

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

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

It is GAWB's target to maintain its gearing ratio within the range of 40%–65%. GAWB's gearing ratio at the balance sheet date is shown below:

	2015 \$000	2014 \$000
Gearing ratios		
Total debt	229,725	234,015
Total equity	325,716	291,241
Total equity and net debt	555,441	525,256
Gearing ratio	41%	45%

(f) Classification of financial instruments recorded at fair value

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 June 2014				
<i>Financial assets</i>				
Cash and cash equivalents	29,030	–	–	29,030
30 June 2015				
<i>Financial assets</i>				
Cash and cash equivalents	28,485	–	–	28,485

Notes to the financial statements

for the year ended 30 June 2015

2015
\$000

2014
\$000

18. Commitments

(a) 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	711	798
Later than one year not later than five years	623	885
Later than five years	2,157	2,210
	3,491	3,893

During the year ended 30 June 2015, \$0.605 million was recognised as an expense in the statement of comprehensive income in respect of operating leases (2014: \$0.641 million).

(b) 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	175	58
Later than one year, but less than five years	48	70
More than five years	-	-
	223	128
Amounts to be capitalised:		
Not later than one year	7,249	7,455
Later than one year, but less than five years	-	-
More than five years	-	-
Infrastructure projects	7,249	7,455

19. 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) There are no other material contingent assets or liabilities.

Notes to the financial statements

for the year ended 30 June 2015

20. 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 2014/15 financial year and during the 2013/14 financial year (for comparative purposes) were:

Board of directors

Position	Responsibilities	Appointment authority	Date initially appointed to position (Date appointment ceased)
Chairperson – Mr Denis Cook	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 604	Director: 27 June 2014 Chairperson: 1 January 2015
Chairperson – Ms Mary Boydell			Director: 29 June 2001 Chairperson: 22 February 2002 (31 December 2014)
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 604	27 June 2014
Director – Mr Malcolm Leinster			5 August 2011
Director – Cr Graham McDonald			27 June 2014
Director – Mr John Orange			1 January 2015
Director – Mr Craig Butler	Responsible for governing the operations of GAWB and reporting and continuous disclosure to the Minister under the <i>Water Act 2000</i> .	<i>Water Act 2000</i> section 600, 605 and 1238	17 September 2004 (27 June 2014)
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 2015

20. 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
Chief Financial Officer	Strategic projects, economic regulation, financial management, reporting, procurement, information technology 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, catchment modelling and land management. Incorporates network modelling and planning functions.	Common law contract	1 April 2011
Operations & Maintenance Manager	Water quality, treatment plant operations, asset maintenance activities and disaster management coordination.	Common law contract	25 February 2013
Corporate Secretary	Corporate secretarial functions and processes. Incorporates governance, risk and compliance functions.	Common law contract	28 November 2011
Corporate Services Manager	Governance, procurement, risk, compliance, information technology, land management, disaster management co-ordination and safety systems.	Common law contract	22 October 2010 (30 June 2014)

Other than cessations during the 2013/14 and 2014/15 financial years, the position titles and responsibilities listed represent those that apply to GAWB's key executive management personnel as at 30 June 2015.

Notes to the financial statements

for the year ended 30 June 2015

20. 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 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;
 - 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; and
 - 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.

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 2015 had not yet been determined by the Board. Therefore, any performance payment approved by the Board will be reported as an expense within the 2015/16 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 \$000	Post employment benefits \$000	Termination benefits \$000	Total remuneration \$000
	Monetary benefits \$000	Non-monetary benefits \$000				
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
2015						
Chairperson – Mr Denis Cook	45	–	–	4	–	49
Chairperson – Ms Mary Boydell	29	–	–	3	–	32
Director – Ms Patrice Brown	29	–	–	3	–	32
Director – Mr Malcolm Leinster	31	–	–	3	–	34
Director – Cr Graham McDonald	–	–	–	–	–	–
Director – Mr John Orange	16	–	–	–	–	16
Total remuneration	150	–	–	13	–	163

Notes to the financial statements

for the year ended 30 June 2015

20. 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				
2014						
Chief Executive Officer	283	25	11	24	–	343
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
Corporate Secretary	164	–	2	29	–	195
Corporate Services Manager	183	1	9	18	–	211
Total remuneration	1,208	30	33	122	–	1,393
2015						
Chief Executive Officer	332	28	16	27	–	403
Chief Financial Officer	203	1	8	17	–	229
Infrastructure Planning & Delivery Manager	202	–	5	19	–	226
Operations & Maintenance Manager	202	1	3	19	–	225
Corporate Secretary	175	–	4	25	–	204
Total remuneration	1,114	30	36	107	–	1,287

Key executive management personnel performance bonuses

A performance bonus was paid on 2 October 2014 to the Chief Executive Officer, Chief Financial Officer, Infrastructure Planning & Delivery Manager, Operations & Maintenance Manager and Corporate Secretary. In the prior year, a performance bonus was paid on 3 October 2013 to the Chief Executive Officer, Chief Financial Officer, Infrastructure Planning & Delivery Manager, Operations & Maintenance Manager, Corporate Services Manager and Corporate Secretary.

	2015 Number	2014 Number
\$30,000 to \$39,999	1	1
\$20,000 to \$29,999	2	–
\$10,000 to \$19,999	2	4
\$0 to \$9,999	–	1
Total	5	6

Notes to the financial statements

for the year ended 30 June 2015

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

Transactions with directors and director related entities

In the ordinary course of business, under normal terms and conditions and excluding director remuneration, during the financial year GAWB has dealt with the following entities, which are director related entities:

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

GAWB entered into 25 transactions for the supply of goods and services to director related entities during the year (2014: Nil) and 83 transactions for the purchase of goods and services (2014: Nil). The aggregate amounts recognised in profit or loss during the year relating to directors and director related entities, other than directors' remuneration, comprise:

	2015 \$000	2014 \$000
Revenue		
Water supply revenue	17,057	–
Other income	16	–
	17,073	–
Expenditure		
Other expenses	317	–

Amounts receivable from and payable to directors and their director related entities at the reporting date comprise:

Receivables

Trade receivables	1,391	1,398
-------------------	-------	-------

Payables

Trade creditors	15	2
Other payables and accruals	514	725
Total	529	727

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.

21. 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.

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), sections 42 to 50 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 2015 and of the financial position of the Gladstone Area Water Board at the end of that year.



D.J. Cook
Chair



J. Grayson
Chief Executive Officer



A. Ottaway
Chief Financial Officer

Gladstone Area Water Board
24 August 2015

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 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairperson, Chief Executive Officer and Chief Financial Officer.

The Board's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Gladstone Area Water Board for the financial year 1 July 2014 to 30 June 2015 and of the financial position as at the end of that year.

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



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



Queensland Audit Office
Brisbane



Glossary

AASB	Australian Accounting Standards Board
Act	<i>Water Act 2000</i> (Qld)
AHD	Australian Height Datum
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
CPI	Consumer Price Index
CSS	Contingent Supply Strategy
DEWS	Department of Energy and Water Supply
DMP	Drought Management Plan
DWQMP	Drinking Water Quality Management Plan
EAP	Emergency Action Plan
EBIT	Earnings Before Interest and Tax
EIS	Environmental Impact Statement
FSL	Forward Starting Loan
FTE	Full Time Equivalent
GAWB	Gladstone Area Water Board
GFP	Gladstone Fitzroy Pipeline Project
GRC	Gladstone Regional Council
GST	Goods and Services Tax
ILUA	Indigenous Land Use Agreement
IP	Information Privacy
KMP	Key Management Personnel
KPM	Key Performance Measure
LFRIP	Lower Fitzroy River Infrastructure Project
LNG	Liquefied Natural Gas
LTI	Lost Time Injury
Minister	Minister for Energy and Water Supply
ML	Megalitres
ML p.a.	Megalitres per annum
QCA	Queensland Competition Authority
QTC	Queensland Treasury Corporation
RAB	Regulated Asset Base
ROA	Return on Assets
RTI	Right to Information
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 and Reliability) Act 2008</i> (Qld)
WTP	Water Treatment Plant

Directory

Principal place of business

Ground Floor
147 Goondoon Street
Gladstone
Queensland

Postal address

PO Box 466
Gladstone Qld 4680

Contact details

Phone: (07) 4976 3000
Facsimile: (07) 4972 5632
E-mail: gawb@gawb.qld.gov.au
Website: www.gawb.qld.gov.au
ISSN: 1837-2252

Directors

Denis Cook – Chairperson
Patrice Brown
Malcolm Leinster
Cr Graham McDonald
John Orange

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 at www.gawb.qld.gov.au/publications.

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.





**Gladstone Area
Water Board**

