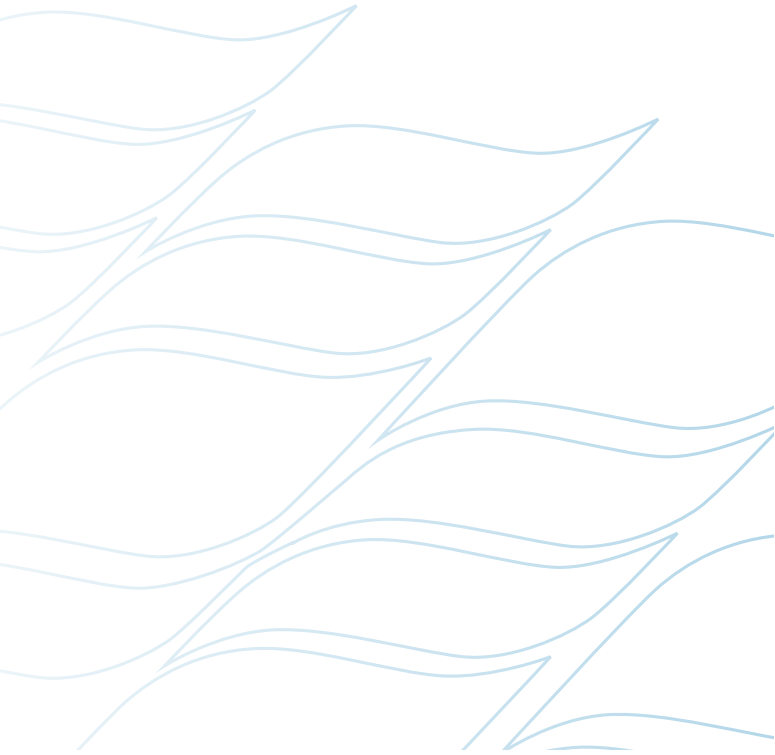


**Gladstone Area
Water Board**



2017 Annual Report

CONTENTS

Gladstone Area Water Board
ABN 88 409 667 181
2017 Annual Report

Chairperson's Letter	4
Chairperson's Review	5
Overview of the year	7
Directors	11
Review	13
Goals for 2017–18	23
Governance	24
Governance – Board and Committees	26
Governance – Human resources	28
Governance – Reporting	29
Governance – Other significant issues	30
Five-year summary	31
Financial statements	32
Independent Auditor's Report	70
Appendix 1 - Government Body Summary	72
Appendix 2 - Compliance Checklist	73
Glossary	74



Gladstone Area Water Board

ABN: 88 409 667 181
Service Provider: 200

PO Box 466
GLADSTONE QLD 4680

1st Floor
147 Goondoon Street
GLADSTONE QLD 4680

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

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

31 August 2017

The Honourable Curtis Pitt MP
Treasurer, Minister for Trade and Investment, and
Acting Minister for Energy, Biofuels and Water Supply
PO Box 15456
CITY EAST QLD 4002

Dear Minister

I am pleased to present the Annual Report 2017 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 found at page 73.

Yours sincerely

Denis Cook
Chair



CHAIRPERSON'S REVIEW



For the first time in over a decade Gladstone Area Water Board (GAWB) met all of its key performance measures (KPMs) in 2016–17. This notable achievement is the culmination of the effort from staff across all levels at GAWB throughout the year to ensure the water needs of its customers are met while also maintaining a focus on profitability, the safety of its employees and compliance with its environmental obligations.

In 2016–17 GAWB undertook a number of business improvement initiatives to enhance its operations, improve efficiencies and help to deliver on its vision to be an excellent water business. These business improvement initiatives included:

- implementing an organisational restructure
- improvements with the capital works program including the creation of a new project and program management system
- acquisition of a commercial building to enable all GAWB staff in Gladstone to be relocated to a centralised location
- establishing the Deliberative Customer Engagement Strategy and
- customising new Enterprise Resource Planning (ERP) and Electronic Content Management (ECM) software.

GAWB also progressed its Contingent Supply Strategy (CSS) with continuation of the Lower Fitzroy River Infrastructure Project (LFRIP) and Gladstone Fitzroy Pipeline Project (GFP) and undertook various capital works projects, including commencing the construction of the Offline Storage Project, at a total CAPEX cost of \$39.75 million.

Organisational restructure and building acquisition

In December 2016 GAWB implemented a new organisational structure which aims to provide clear accountabilities for operations and development, prepare for succession in key roles, enable effective and shared stakeholder engagement and provide longer-term strategic development plans and capacity. The transition to the new organisational structure has been completed smoothly and enabled GAWB to reach a new level of maturity and capability in its business operations.

In May 2017 GAWB acquired 136 Goondoon Street, Gladstone. The purchase of the building will improve business efficiencies as GAWB staff are currently located at multiple locations in Gladstone including a significant number of staff in demountable buildings at the Gladstone Water Treatment Plant.

Lower Fitzroy River Infrastructure Project

During 2016–17, environmental approvals were granted by the Commonwealth and State Governments for the LFRIP, a project which GAWB is currently undertaking in partnership with SunWater. GAWB has also been providing assistance to Building Queensland relating to the completion of the business case. If the business case is approved by the State Government, the LFRIP will be a project of economic significance to Queensland and also enable GAWB to provide water security to its customers into the future.

Offline Storage Project

Implementation of the Offline Storage Project commenced in 2016-17. Due for completion in December 2018, this \$29 million project will assist GAWB with one of its business goals, namely meeting water needs, by providing a storage facility for 14 days' supply of raw water independent of Awoonga Dam. Delivery of the Offline Storage Project is one of GAWB's key business improvement processes and initiatives for 2017-18. Completion of the Offline Storage Project will also enable maintenance works at Awoonga Dam to be completed without an impact to customers.

Deliberative Customer Engagement Strategy

In 2016-17 GAWB established two consultative groups to facilitate engagement and discuss issues that involve its customers and relevant stakeholders. GAWB will continue to meet with these groups regularly during 2017-18 to capture their views and ideas regarding improvements in the liveability in the region and their feedback relating to GAWB's long-term investment plans. The Deliberative Customer Engagement Strategy is another key business improvement process that will assist GAWB in preparing for its next price review.

Response to ex-Tropical Cyclone Debbie

GAWB responded swiftly to the extreme weather event when Tropical Cyclone Debbie crossed the coast near Mackay on 28 March 2017 bringing significant rainfall to the catchment area and triggering the activation of GAWB's Emergency Action Plan (EAP). GAWB ensured its customers and the Gladstone community were updated with developments relating to the extreme weather event, including the spilling of the lake, road closures and the closing of the recreational facilities at Awoonga Dam, through media releases, social media and via GAWB's website. GAWB undertook specific tasks to assess infrastructure integrity following the event and completed a substantial clean-up effort to ensure the recreational facilities at Awoonga Dam were reopened prior to the Easter long weekend.

GAWB's financial performance in 2016-17

GAWB maintained its solid performance in 2016-17 with total income of \$59.69 million and earnings before interest and tax of \$18.15 million. Net profit after tax was \$6.87 million with \$5.50 million in dividends declared.

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 2016–17 reporting year

During the year, Gladstone Area Water Board 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 effectively deliver the water requirements of current and future customers through initiatives related to security, reliability, quality and price
- **Commercial results** – to ensure GAWB's profitability and build the value of the business
- **Corporate responsibility** – to commit to improving the economic well-being of the Gladstone community, our people and the environment through GAWB's services and the operation and maintenance of its assets and
- **Capability** – to provide sustainable outcomes by investing in our people, effectively managing our resources and risk, maintaining systems and sharing knowledge.

Meeting water needs

During 2016–17, 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 *Water Plan (Boyne River Basin) 2013* and Awoonga Water Supply Scheme Resource Operations Licence (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
- performed its annual review of the Awoonga Dam Emergency Action Plan (EAP), which was revised with updated contact lists and flood mapping
- ensured water supply to the Gladstone region was not impacted following the intense rainfall event from ex-Tropical Cyclone Debbie
- progressed the Lower Fitzroy River Infrastructure Project in conjunction with SunWater, obtaining approval of the Environmental Impact Study (EIS) from the State and Commonwealth Governments, commencing preparatory stage works and working towards finalisation of the business case
- commenced implementation of the offline storage reservoir and standby pumping project, completing the upgrade of the intersection of Benaraby Road and Skyring Hill Road and commencing work on the embankment and spillway
- finalised construction and commissioned the Yarwun Interconnection Project, improving water reliability for the Gladstone region
- commenced the structural refurbishment of the East End Reservoir
- advanced major electrical infrastructure replacement projects, and continued to develop projects to replace high-risk pipeline sections.

Commercial results

During 2016–17, GAWB achieved the following commercial outcomes:

- water revenue of \$58.27 million (59,206 megalitres (ML) reserved by customers; 48,042 ML supplied) compared to target sales of \$57.71 million (58,933 ML reserved; 51,925 ML supplied)
- total expenses of \$41.54 million compared to budget expenditure of \$40.88 million
- earnings before interest and tax (EBIT) of \$18.15 million compared to target of \$16.84 million
- net profit after tax equivalents of \$6.87 million compared to budgeted profit of \$5.64 million
- return on assets (ROA) of 2.66 per cent compared to target of 2.60 per cent
- exceeded BBB benchmarks for interest cover ratios
- \$5.50 million dividend, based on 2016/17 profits, which will be paid in December 2017.

Corporate responsibility

During 2016–17, GAWB:

- maintained commitment to safety, with no lost time injuries (LTIs) recorded during the year. As at 30 June 2017, GAWB had operated for 1,812 days without recording any LTIs
- commenced the Deliberative Customer Engagement Strategy which is an initiative to engage representatives from GAWB's customer base and the Gladstone community to provide information, discuss issues and projects affecting stakeholders
- complied with environmental obligations and reporting requirements of the 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 Gladstone Ports Corporation Limited
- responded to cyclone, flood and wildfire events in accordance with Emergency Action Plans
- developed and implemented a Biosecurity Management Plan
- continued to provide and manage public recreational facilities at the Lake Awoonga Recreational Area and Boynedale Bush Camp
- sponsored the 2017 Boyne Tannum HookUp, Martin Hanson Memorial Awards and Ecofest, and supported a number of smaller events while undertaking other activities of a 'good corporate citizen' nature.

Capability

During 2016–17, GAWB:

- completed an organisational restructure to prepare for the succession of key roles, provide clear accountabilities for operations and development, and enable development of long-term strategic plans and capacity
- acquired a building at 136 Goondoon Street, Gladstone, to enable all GAWB staff to be relocated to a centralised location. Refurbishment of some parts of the building is underway with relocation of GAWB staff expected to be completed by the end of the second quarter 2017-2018
- exceeded the target staff retention rate by achieving 92 per cent retention
- maintained staff satisfaction with a satisfaction survey result of 72 per cent
- reviewed and developed operating procedures and registers for environment, safety, risk and work method requirements to maintain quality assurance, safety and environmental management accreditations within the relevant ISO or AS/NZS standards
- further improved GAWB's risk management capability which will allow better management of the corporate risk profile following a detailed review of risk registers and the delivery of planned mitigating actions
- commenced the Network Automation Project which, when completed, will enable automation of the operation of the water treatment plants and delivery network
- completed adoption of the Microsoft Office 365 suite of applications and completed migration of core office productivity solutions to the cloud
- progressed customisation of new Enterprise Resource Planning (ERP) and Electronic Content Management (ECM) software.

GAWB's actual performance in 2016–17 is set out in the headline performance measures table on page 10. This table includes comparisons against key performance measure (KPM) targets set out in the Performance Plan 2016–17 and against actual results for the 2016–17 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.

In 2016–17 GAWB met or exceeded each of its KPMs.

OVERVIEW OF THE YEAR continued

The following table provides a snapshot of GAWB's financial position¹ at 30 June 2017.

		2017	2016
Profit and Dividend			
Water sales revenue ²	\$ million	58.27	56.84
Total revenue	\$ million	59.69	60.92
Earnings before interest and tax	\$ million	18.15	21.22
Profit/(loss) after tax	\$ million	6.87	9.11
Dividends declared	\$ million	5.50	7.29
Cash Flow			
Net cash from operating activities	\$ million	23.12	22.43
Balance Sheet			
Total assets	\$ million	721.75	672.32
Total equity	\$ million	381.81	355.05
Total borrowings	\$ million	242.91	231.40

- 1 Includes revaluation and impairment calculations.
2 Includes transfer from unearned income provision.

OVERVIEW OF THE YEAR continued

Headline performance measures

		Year ended 30 June		
		2017		2016
		Actual	Target	Actual
Headline performance measures				
Meeting water needs				
Water demand				
Supplied volumes under legally enforceable contracts or under accepted standard terms of supply	%	100 ✓	>95	100
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 significant projects completed within ±10% of approved budget				
• Cost	%	100 ✓	>90	N/A
• Time	%	100 ✓	100	N/A
Commercial results				
Profitability				
EBIT	\$ million	18.15 ✓	17.23	21.22
ROA	%	2.66 ✓	2.60	3.34
Operating expenditure (less depreciation, loss on sale of assets and interest) vs budget	%	100 ✓	≤100	98
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	%	100 ✓	100	89

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 Committee throughout 2016–17. Mr Cook has post-graduate qualifications in engineering and public administration and over 40 years' experience in the planning and delivery of infrastructure in Queensland. He worked in the Office of the Coordinator-General from 1982 to 2005 and was commissioned as Deputy Coordinator-General in 1999. He joined Parsons Brinckerhoff Australia in 2006 and retired from the position of Regional Director, Queensland in 2013.

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

Appointed to the Board on 4 August 2011, Mr Leinster was reappointed on 27 June 2014 until 27 June 2017. He was a member of the Audit Committee throughout 2016–17. 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 has a long history with Central Queensland University as a course developer and external lecturer.

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 proud Central Queensland, business owner, cattle producer and environmental scientist. Ms Brown is a member of the Queensland Premier's Business Advisory Council and a member of the CQ University Council. She has 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) in 2004, now a leading environmental, planning and engineering consultancy with staff in Gladstone, Rockhampton, Brisbane and Mackay. Ms Brown was recognised as the Telstra Business Women's Queensland Entrepreneur in 2016 and was awarded the Gladstone Engineering Alliance Forty Calis Memorial Award in 2016 for her entrepreneurial spirit and contributions to the Gladstone service sector and its industries.

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 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, including international experience in New Zealand, the United Kingdom, Africa, Asia and the Middle East. He has spent the last 10 years running his own consulting business specialising in governance, financial management, business improvement, mergers and asset transfers.

Cr Poya (PJ) Sobhanian BSc (UQ), GAICD, of Gladstone

Appointed a Director on 15 September 2016 until 15 September 2019, Cr Sobhanian is a member of the Gladstone Regional Council (GRC) and sits on the GRC Business Improvement Committee (internal audit). In addition to his position as Councillor for the GRC, Cr Sobhanian is the Principal of SunValley Dental in Gladstone. He has been awarded a Fellowship of the Australian Institute of Management and is a graduate of the Australian Institute of Company Directors. Cr Sobhanian brings business acumen, significant knowledge, governance experience and local community spirit gained from serving on numerous government, non-government and community boards including CQU Region Engagement Committee, University of Queensland Academic Board, UQ Faculty of Health Sciences Board of Studies and the board of the Rotary Club of South Gladstone.

Cr Graham E. McDonald, of Gladstone

Appointed a Director on 27 June 2014 until 15 September 2016, Cr McDonald was 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 term of appointment for four of the Directors expired on 27 June 2017. In accordance with section 604(2) of the Act, the Directors continue to hold office until a successor is appointed. Cr McDonald, who was the GRC nominee on the Board, did not contest the local government election on 19 March 2016. Pursuant to the Act, Cr McDonald remained in office until the appointment of Cr Sobhanian.

The number of meetings of the Board and its standing committees attended by each Director during the 2016–17 financial year is set out below.

Director	Board Meetings		Audit Committee Meetings	
	Attended	Held ¹	Attended	Held ¹
Mr D.J. Cook	12	13	4	4
Ms P.A. Brown	10	13	–	–
Mr M. Leinster	13	13	4	4
Mr J.W. Orange	13	13	4	4
Cr G.E. McDonald	4	4	–	–
Cr P. Sobhanian	7	9	–	–

¹ 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 effectively deliver the water requirements of current and future customers through initiatives related to security, reliability, quality and price

Water planning

Maintaining supply for existing demand and meeting additional demand as it emerges is a vital GAWB function. The composition of GAWB's customer base is unusual, in that the majority of the water GAWB supplies goes to a small number of large industrial customers. These customers account for approximately 82 per cent of total water (both potable and untreated) supplied. They rely upon their water supply being uninterrupted. Water supply interruptions could jeopardise production at their high-value facilities, which in turn could result in significant financial losses for GAWB customers. The requirement for security of supply must be balanced with the need to supply water at a competitive price. GAWB aims to provide value for money to its customers by utilising optimal contractual and commercial frameworks. GAWB utilises these frameworks to allocate risk and apportion cost and to provide the optimum outcome for its customers.

The remaining 18 per cent of total water supplied by GAWB is potable water supplied to Gladstone Regional Council (GRC). This potable water is sold on by GRC to industrial, small business and residential users. GRC deploys its own reticulation network for that purpose. Supplying high-quality drinking water at a reasonable price is another of GAWB's important responsibilities. Competitively priced, high-quality water is crucial to Gladstone's future prosperity. GAWB acknowledges the vital importance of providing residents of the Gladstone area with a reliable bulk water service.

The Strategic Water Plan (SWP) is integral to GAWB's water planning function. The SWP concentrates upon how GAWB can best meet the needs of current and future customers and addresses the important inter-related 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. GAWB continually seeks to address the needs of its customers and ensure the water service that it provides optimises value to all customers (present and future) and thereby to the Gladstone region.

The SWP also recognised the need for a Contingent Supply Strategy (CSS). This has been deployed and has resulted in an ongoing program of works.

The CSS contains GAWB's strategy for efficiently responding to demand triggers (being emerging demand) or drought triggers (such as supply shortages due to a prolonged period of low inflows into Lake Awoonga). The CSS provides direction for GAWB to investigate alternative supply options and undertake only the work necessary to reach and maintain the desired state of preparedness. The CSS currently incorporates preparatory works for the Gladstone Fitzroy Pipeline Project (GFP), preparatory works for the Lower Fitzroy River Infrastructure Project (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*. During 2016–17 the State and Commonwealth Governments granted environmental approval for the LFRIP (which GAWB has been progressing in partnership with SunWater). As the total project value is in excess of \$100 million, Building Queensland has been tasked by the State Government to prepare a business case, which GAWB has been assisting with. Once the business case has been finalised the State Government will decide whether it will support the project.

Water availability

GAWB's water allocation of 78,000 ML p.a. and its Resource Operations Licence (the Awoonga ROL) under the Act form the foundations of GAWB's operations. The *Water Plan (Boyne River Basin) 2013* sets out the strategies for the sustainable allocation and management of water.

An average 918 millimetres (mm) of rain was recorded at monitoring stations in the Boyne River catchment above Lake Awoonga over the year to 30 June 2017 (compared to 785 mm in 2015–16). This was slightly more than the mean annual rainfall (approximately 850 mm). Inflows into Lake Awoonga in the period were approximately 406,284 ML (compared to 140,000 ML in 2015–16), including peak daily inflows of approximately 67,614 ML on 30 March 2017. 148,413 ML was released from Lake Awoonga for environmental purposes during 2016–17 (includes overflow resulting from ex-TC Debbie), and 48,042 ML was pumped from the lake for sale to GAWB's customers.

Awoonga Dam level receded to below 80 per cent during the reporting year, however large inflows during ex-TC Debbie resulted in a peak on 31 March of 42.08 m (119.27 per cent of capacity). The water level on 30 June 2017 was 38.79 m AHD. This corresponds to a storage volume of 762,706 ML or 98.18 per cent of full supply level (40.0 m) capacity. The lowest level during the reporting period was 37.51 m (79.82 per cent of capacity).

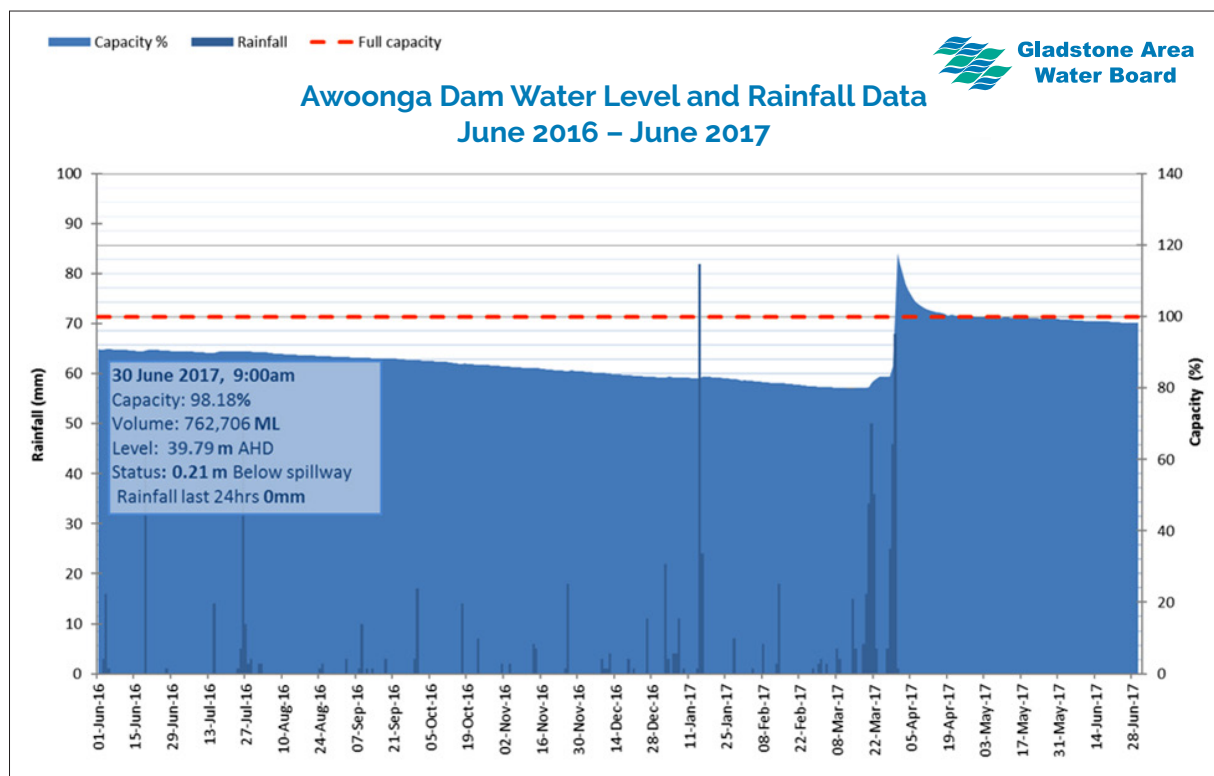


Figure 1: Awoonga Dam Level and Rainfall Data – June 2016 to June 2017

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), 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.

Historical storage levels

Storage Levels	Date	Level (M AHD)	Volume (ML)	Capacity (%)	Surface Area (ha)
Storage at end of reporting period	30 June 2017	38.79	762,706	98.18	6,696
Level one year ago	30 June 2016	38.85	701,505	90.30	6,329
Level two years ago	30 June 2015	39.68	755,379	97.24	6,653
Level three years ago	30 June 2014	39.53	745,441	95.96	6,594
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	31 March 2017	42.08	926,572	119.27	7,554
Highest level	27 January 2013	48.30	1,498,586	192.90	10,810

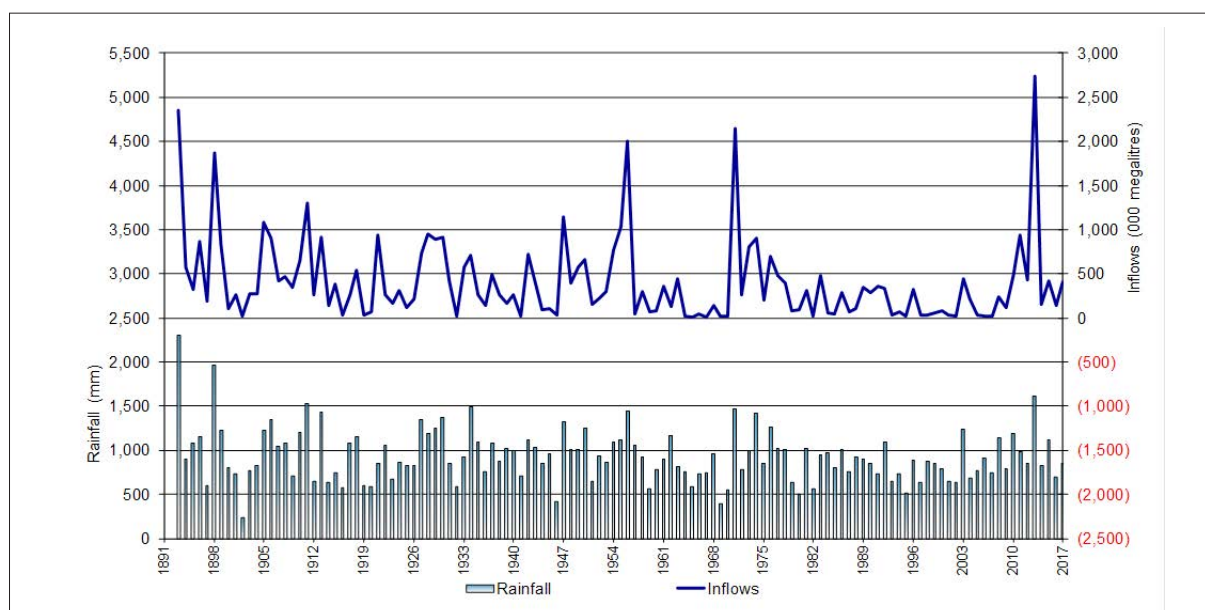


Figure 2: Rainfall and Inflow Data 1893 to 2017

Reliability of supply

During 2016–2017, GAWB progressed a proposed project to upgrade its offline water storage capacity. The project involves construction of a 1200 ML offline storage and standby pumping system in a small valley next to the existing Toolooa 50 ML reservoir. When completed the offline storage will provide 14 days of raw water supply independent of critical infrastructure.

The road intersection providing safe access to the site has been completed and the construction of the embankment and spillway are in progress.

Project benefits include:

- ability to take critical components of Awoonga Dam, Awoonga Dam Pump Station and the Awoonga-to-Gladstone pipeline out of service for inspection and maintenance without disrupting the supply of water to customers, and
- ability to maintain supply to GAWB’s customers in case of a failure of critical components of Awoonga Dam, Awoonga Dam Pump Station and the Awoonga-to-Gladstone pipeline.



Figure 3: Earthworks in progress for the offline storage and standby pumping system

Water quality

GAWB monitors water quality for a number of different purposes, including environmentally relevant activities, the Awoonga ROL and the requirements of its Drinking Water Quality Management Plan (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 plant and network automation, resilience with the interconnection of Gladstone and Yarwun networks, continued focus on operator capacity and capability, 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.

Asset management

In June 2016, GAWB attained certification of its Asset Management System to ISO 55001:2014 in Asset Management. GAWB is the first water service provider in Australia to gain this certification.

The Asset Management System certification covers:

- GAWB's supply of treated and untreated water in the Gladstone region
- Awoonga Dam and associated infrastructure such as reservoirs, pumping stations, pipework, water treatment plants and waste water treatment plants, and
- land surrounding Awoonga Dam, recreational facilities, the fish hatchery and workshops.

Since certification, GAWB has undertaken an extensive review of its 67 Life Cycle Management Plans, which cover all asset classes. It has also successfully undergone its first Asset Management System to ISO 55001:2014 surveillance audit.

GAWB took part in an international industry-benchmarking project, Asset Management Customer Value, which identified GAWB as demonstrating leading practice in this space. GAWB presented these achievements at several conferences throughout the year.

Extreme weather event

On 28 March 2017 Tropical Cyclone Debbie crossed the coast near Mackay, bringing with it approximately 200 mm of rain across the catchment from 28 March to 31 March. The level at Awoonga Dam rose approximately 3.5 metres over one-and-a-half days, peaking in the early morning of 31 March at 42.08 m (2.08 m above the spillway). This event triggered the activation of GAWB's Awoonga Dam Emergency Action Plan (EAP) and resulted in:



Figure 4: Debris washed up along shoreline post ex-Tropical Cyclone Debbie

- the inundation of Pikes Crossing causeway on the Boyne River below Awoonga Dam, with the road being inaccessible between 30 March and 10 April 2017 (alternative access to Pikes Crossing residents was provided)
- the inundation of Boyne Valley Monto Road, with the road being inaccessible between 31 March and 2 April 2017
- closure of the Boynedale Bush Camp until 12 April 2017 and
- closure of the Awoonga Dam Recreational Area until 12 April 2017.

There was no structural damage to the dam embankment or spillway structure; however, the event caused a large amount of mostly organic debris along the shoreline at Awoonga Dam recreational areas, requiring a significant clean-up effort. The EAP entered closure phase on 11 April 2017 and a report was submitted to the Dam Safety Regulator on 24 May 2017.

Water supply network planning and renewals

GAWB 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. It also maintains a network model.

Network upgrade and renewal works completed in 2016–17 include:

- construction of the Yarwun Treated Water Interconnection, to allow treated water from Gladstone Water Treatment Plant (WTP) to supplement that from Yarwun Water Treatment Plant. This will provide additional treated water supply to industrial customers in Gladstone's northern industrial zone
- replacement of the variable speed motor drives at Awoonga Dam Pump Station
- pipeline replacements, targeting high-risk sections based on failure history, age, installed environment, operating pressure and failure consequence
- decommissioning of the Gladstone Water Treatment Plant Low Lift Pump Station (part of the pump station reconfiguration work as noted below).

Network upgrade and renewal works in progress include:

- process optimisation, common upgrades and valve replacements at the Gladstone WTP to ensure water quality is maintained when the plant is operating at maximum capacity and during periods of unfavourable raw water quality
- replacing the high voltage electrical switchboard and pump station reconfiguration at the Gladstone WTP
- structural refurbishment of East End Reservoir and South Trees Inlet Pipe Bridge, and
- extending the Fisherman's Landing pipeline to provide a new connection for Australia Pacific LNG (APLNG) Ferry Terminal.

GAWB continues to engage with customers to determine their current and short-term future water needs, and negotiates changes to customer water supply agreements and arrangements prior to committing to any works.

Land management

TENURE MANAGEMENT

GAWB has significant land holdings (about 21,000 hectares) within the Awoonga Dam catchment area. These land holdings support GAWB's water supply activities. GAWB's strategic approach to land and tenure management within the catchment area includes the acquisition, reconfiguration, and amalgamation of parcels of land adjacent to Lake Awoonga, and disposal of surplus land.

During 2016–17, tenure management activities focussed on:

- management of pipeline and infrastructure tenure (easements, leases, reserves)
- acquiring land within the Lake Awoonga Buffer Zone
- the disposal of surplus land in the Boyne Valley not required as part of the Lake Awoonga Land Rationalisation Project and
- fulfilment of obligations under the *Aboriginal Cultural Heritage Act 2003* and *Native Title Act 1993*.

AGISTMENT MANAGEMENT

GAWB uses the agistment of cattle as a tool to manage GAWB's land within the catchment area, particularly as a means of vegetation management and to minimise the occurrence and impact of wildfires.

During 2016–2017, GAWB undertook a review of its agistment agreements, policies and procedures to ensure that best practice land management principles are applied to agisted land. GAWB continues to work with agistees and neighbouring landholders to apply best practice land management principles, including undertaking regular inspections to monitor the application of these principles.

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 control. GAWB is an active member of the Fitzroy Basin Association's Capricornia Catchments Steering Committee, 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.

BIOSECURITY MANAGEMENT

To help achieve compliance with the *Biosecurity Act 2014 (Qld)*, GAWB developed and implemented a new Biosecurity Management Plan for land it owns and manages in the Boyne Valley around Lake Awoonga. GAWB also actively participates in:

- the Capricorn Pest Management Group
- Capricornia Catchments Steering Committee and
- Boyne Valley Sustainable Land and Water Care Group.

FIRE MANAGEMENT

GAWB has in place both a Bush Fire Management Plan and Wildfire Emergency Procedure. These contribute to the proactive management and mitigation of the risk and impact of fires to the public, staff and GAWB's business operations and help protect water quality in the impoundment. GAWB implements a prescribed burning regime as part of a scheduled approach to fuel load reduction.

GAWB has been advised by Queensland Rural Fire Service that the Lake Awoonga Rural Fire Brigade will be disbanded, to bring fire management in the region in line with current regulations. This means that, while GAWB will continue to train its staff to undertake asset protection burns on its own properties, GAWB will no longer provide a volunteer rural fire fighting capacity. GAWB will continue its good working relationship with Queensland Rural Fire Service for advice, fire permits and training of staff and continue to work with neighbours and agistees on their fire management programs.

CULTURAL HERITAGE MANAGEMENT

During 2016–17 GAWB:

- finalised a Cultural Heritage Management Plan Agreement with the Darumbal People Aboriginal Corporation and
- undertook cultural heritage surveys with the Darumbal People and the Port Curtis Coral Coast Aboriginal Corporation.

FISHERY MANAGEMENT AND TURTLE TRIAGE

GAWB has an environmental obligation, associated with the 2002 raising of Awoonga Dam to 40 m, to stock fish in Lake Awoonga. To satisfy this obligation, GAWB operates a fish hatchery in Gladstone City. The hatchery produces barramundi, sea mullet and mangrove jack, in support of an extensive fish-stocking program. Commercial sales are also undertaken to help offset operating costs. GAWB acknowledges the ongoing support from Gladstone Ports Corporation Limited, which provides the hatchery site at no cost. One of GAWB's current projects is to build a purpose-built hatchery that better suits its requirements. The new hatchery is scheduled for completion in 2018.

During the year, 295,000 barramundi fingerlings and 10,000 mangrove jack were released, encouraging local and visiting recreational fishermen to Lake Awoonga. To assess how best to comply with its obligation to stock the lake, GAWB regularly monitors the ongoing appropriateness of expenditure associated with the operation of the hatchery. This is in line with GAWB's Fisheries Management Plan.

GAWB continued its turtle triage operations during 2016–2017, in conjunction with Gladstone Ports Corporation Ltd. The establishment of the turtle triage facility was originally funded under an agreement with an LNG proponent. During 2016–2017, three turtles were admitted and two were still in the triage from 2015–2016. Two were released, one died, and two remained in care at 30 June 2017.

RECREATION AND OTHER FACILITIES

GAWB provides recreational facilities free of charge at the Lake Awoonga Recreational Area and at the Boynedale Bush Camp in the Boyne Valley. These are well utilised by locals and visitors alike. 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.

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 \$6.87 million for the year ended 30 June 2017 (2015–16: \$9.11 million).

Full year water revenue totalled \$58.27 million (59,206 ML reserved; 48,042 ML supplied) (2015–16: \$56.84 million (58,747 ML reserved; 48,472 ML supplied)) compared to the target for the year of \$57.71 million (58,933 ML reserved; 51,925 ML supplied).

Net cash generated by operating activities totalled \$23.12 million (2015–16: \$22.43 million). GAWB held cash and cash equivalents of \$19.20 million at 30 June 2017 (\$27.16 million at 30 June 2016).

Capital expenditure for the year totalled \$39.75 million (2015–16: \$20.31 million).

Total equity has increased to \$381.81 million at 30 June 2017 (\$355.05 million at 30 June 2016). Additional borrowings of \$11.50 million were drawn down during the year and repayments amounted to \$8.89 million. GAWB's debt/equity ratio was 39 per cent at 30 June 2017.

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 water resources, 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.

During 2015–16, GAWB implemented flow-based pricing, or contracted Maximum Daily Quantity (MDQ). 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. GAWB also completed the preparation of conformed water supply contracts, incorporating the outcomes of the 2015 Price Monitoring Investigation, for all relevant customers.

The QCA 2015 Price Monitoring Investigation (completed on 29 May 2015) ensures that GAWB's water prices are reflective of the efficient expenditure necessary to supply customers. This cost reflectivity is essential as it provides customers with appropriate price signals in relation to their consumption of water.

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

The prices charged to GAWB's bulk water customers vary with infrastructure used by individual customers and will be lower, on average, than prices charged in the prior regulatory period. The key factor for the lower prices is the significant reduction in GAWB's Weighted Average Cost of Capital (WACC). Lower prices will also lead to reductions in GAWB's revenue and profitability over the 2015–16 to 2019–20 regulatory period.

Corporate responsibility

Goal: To commit to improving the economic well-being of the Gladstone community, our people and the environment through GAWB's services and the operation and maintenance of its assets.

Safety

GAWB recorded zero lost time injuries (LTIs) in 2016–17. GAWB is focused 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. GAWB undertook a benchmarking exercise during the year, using the Water Services Association of Australia (WSAA) Health and Safety Benchmarking Framework, which showed GAWB fell within the relevant benchmark level in relation to the number of reported safety incidents. Investigations are completed for all incidents, and improvements recommended by investigations are implemented. As at 30 June 2017, GAWB had operated for 1,812 days without recording any LTIs.

Deliberative engagement

During 2016–17 GAWB embarked upon a new initiative which seeks to directly engage representatives from its customer base and the Gladstone community through the establishment of two consultative groups to provide information, discuss projects, listen to feedback and collaborate on issues which may affect stakeholders. GAWB is committed to stakeholder engagement and believes it is essential to building trust and delivering successful projects and initiatives in the future.

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 and environmental authorities, 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 catchment management groups and its representation on the Fitzroy Basin Association.

Community relations

GAWB received four community complaints during the year concerning lighting at the Toolooa reservoir (one complaint), noise at the Gladstone Water Treatment Plant (two) and maintenance of toilets at the Boynedale Bush Camp (one). Action was taken immediately to rectify the cause of complaints surrounding the lighting at the Toolooa Reservoir and the Boynedale Bush Camp toilets. Improved communications with neighbours of the Gladstone Water Treatment Plant have been implemented, resulting in notification being issued if any disruptive work is to be undertaken outside of normal working hours.

Sponsorships and donations

Expenditure on activities of a 'good corporate citizen' nature during the 2016–17 financial year comprised principally the following sponsorships of community activities and publications in the Gladstone region:

	\$
Deliberative engagement	38,937
Community event sponsorships	12,764
Gladstone Healthy Harbour Partnership and Fitzroy Partnership River Health Memberships	15,000
Other sponsorships and donations	17,156
Total	\$83,857

Cat's Claw Creeper Management Initiative

The Boyne Valley Sustainable Land and Water Care Group have been developing a Cat's Claw Creeper Management Initiative, which includes building a breeding facility for the leaf-mining Jewel Beetle (*Hylaeogena jureceki*). The Jewel Beetle is a target-specific biocontrol that has proved to be very effective for controlling Cat's Claw Creeper. Gladstone Regional Council (GRC) has provided a space for the breeding facility, including the 'tunnel' required for growing the beetle. GAWB has also supported the initiative, in the form of providing nursery-style pot plant benches on which to stand the culture media for the beetle. Supporting this project has several benefits to GAWB:

- readily available (local) access to the beetle for use in control of Cats Claw Creeper on land owned by GAWB
- helping to protect riparian zones and water quality in the Boyne Valley Catchment, with direct benefits to the treatment process and water customers
- building relationships with our neighbours and stakeholders through support of the key natural resource management group for the Boyne Valley and
- helping to meet our General Biosecurity Obligation under the Act.

Capability

Goal: To provide sustainable outcomes by investing in our people, effectively managing our resources and risk, maintaining systems and sharing knowledge.

People and culture

Of GAWB's permanent staff at 1 July 2016, 92 per cent remained in employment with GAWB at 30 June 2017. 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 72 per cent (2015–16: 5.3/7).

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 online process for training and re-training employees depending upon the training topic.

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

At 30 June 2017, GAWB employed a total of 101 employees (97.66 FTE), an increase from 90 (86.10 FTE) at 30 June 2016. The increase in employees is largely attributable to the appointment of fixed-term employees for the delivery of capital projects. GAWB's permanent separation rate, being the number of employees who separated from GAWB divided by the number of permanent employees in GAWB during 2016–17, is seven per cent.

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 mental and emotional well-being 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.

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 the following management systems:

- Quality Management ISO 9001:2000
- Asset Management ISO 55001:2014
- Environment Management ISO 14001: 1996, and
- Safety Management AS/NZS 4801:2001

Network automation

During 2016–17 GAWB commenced the Network Automation Project which, when completed, will enable the automation of control systems for GAWB's water treatment plants and raw and treated water delivery networks. Currently, the control systems are semi-automated and require an operator on duty 24/7, including a lone night-shift worker. Completion of the project will reduce the workplace health and safety risk associated with the night shift operations and improve efficiencies with operations.

Information and communication technologies

Over 2016–17 GAWB closed out actions from its Information Systems Strategic Plan 2015–2017 aimed at transitioning primary corporate systems (ERP, ECM and Office 365 suite) to cloud-based applications and data storage with mobile device access/usage for field staff, and at improving corporate systems' cyber-security, reliability and resilience. GAWB is developing its Information Systems Strategic Plan 2017–2020 to further progress these areas and transition secondary applications to the cloud, and to take advantage of improving capacity and cost effectiveness of mobile data communications.

GAWB has undertaken supervisory control and data acquisition (SCADA), radio telemetry and operational technology communication system reviews, and is planning infrastructure changes to be ready for radio spectrum harmonisation requirements mandated for 2018 by the Federal Government.

Risk management

GAWB employs an enterprise 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.

GAWB is currently exploring the application of quantitative risk assessment as part of its risk management framework.

Directions, notices and other statutory requirements

During the year ended 30 June 2017, GAWB did not receive any directions or community service obligation notices.

GOALS FOR 2017–2018

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:

MEETING WATER NEEDS

– to understand, facilitate and effectively deliver the water requirements of current and future customers through initiatives related to security, reliability, quality and price.

COMMERCIAL RESULTS

– to ensure GAWB's profitability and build the value of the business.

CORPORATE RESPONSIBILITY

– to commit to improving the economic well-being of the Gladstone community, our people and the environment through GAWB's services and the operation and maintenance of its assets.

CAPABILITY

– to provide sustainable outcomes by investing in our people, effectively managing our resources and risk, maintaining systems and sharing knowledge.

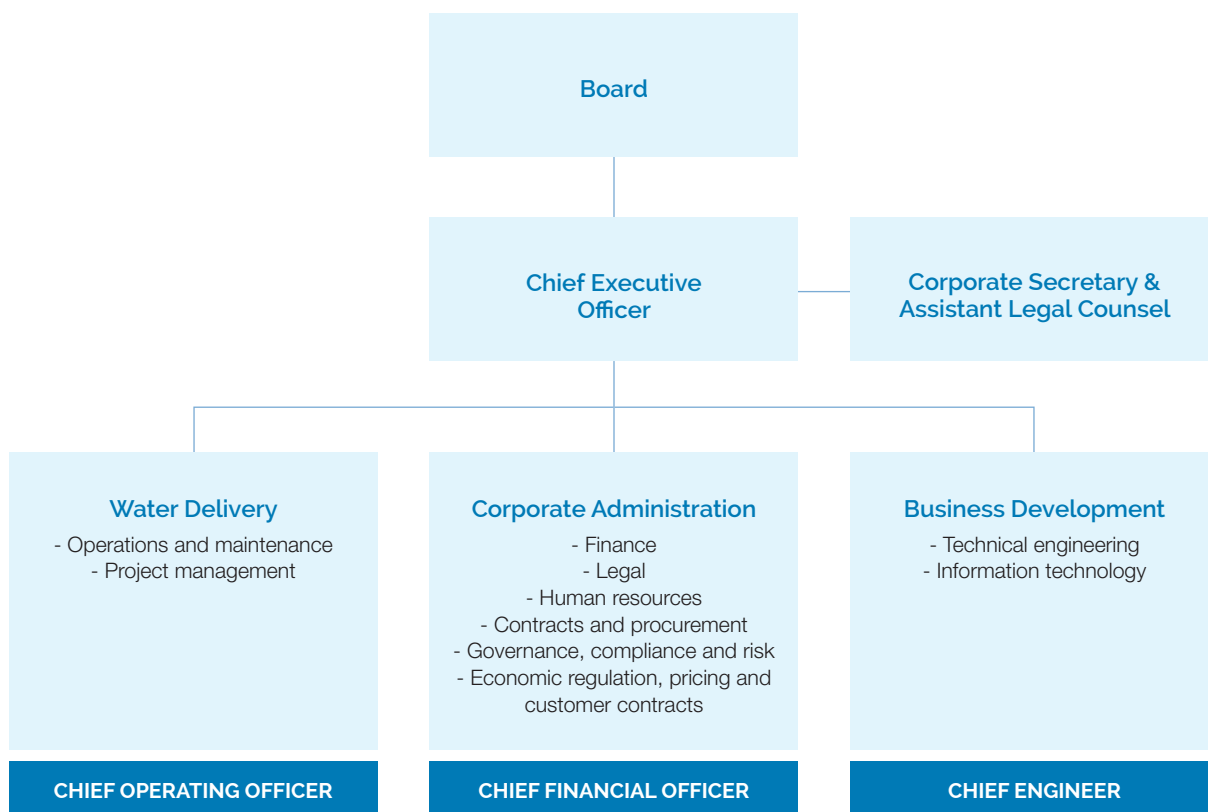
Each of the four business goals is supported by a number of KPMs, business improvement projects and initiatives that are set out in GAWB's 2017–18 Performance Plan.

The table below identifies GAWB's key business improvement processes and initiatives for 2017–18. 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
Offline Storage	GAWB is establishing an offline storage with approximately 14 days' capacity within the delivery network. The new infrastructure includes an open reservoir, embankment, spillway and pump station.
Deliberative Customer Engagement Strategy	GAWB is implementing a Deliberative Customer Engagement Strategy, which will inform and frame the 2020 Price Monitoring Investigation.
Rookwood	GAWB will continue to progress the Lower Fitzroy River Infrastructure Project (Rookwood) to ensure its operational and strategic objectives are met with regard to the Contingent Supply Strategy (CSS).
Automation	GAWB will implement processes to automate the Gladstone Water Treatment Plant and integrate control of raw and treated water pumping systems, to allow unmanned overnight operation of GAWB's water treatment and water delivery systems.
Relocation	GAWB will ensure operational efficiencies are realised through the relocation of GAWB staff to a central, head office and that the associated people and culture benefits are captured within budget.

GOVERNANCE

Organisational structure



In December 2016, GAWB implemented a new organisational structure. The new structure sought to strengthen GAWB's capability to adapt to changes in its operating environment by creating clear lines of functional accountability, resilience and succession planning for all roles. There was no net change to employee numbers as a result of the restructure.

Executive management

JIM GRAYSON LLB, LLM, ACIS, PostGradDipComm, 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 in roles that involved the insurance and superannuation sectors. He is a Fellow of the Financial Services Institute of Australia and an Associate of the Governance Institute of Australia. He has served on various boards and committees including: 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 director of Water Services Association of Australia (WSAA) the peak body for the Australian urban water industry (2012 to 2015).

HUGH BARBOUR CPA, BBus (Acct)
Chief Financial Officer

Hugh was appointed Chief Financial Officer in March 2016 and has extensive experience in all aspects of financial management, contract management and negotiation in the mining and energy industries. As a former GM of Finance, he understands the importance of strong financial governance. Mr Barbour has led multi-disciplinary teams in the performance review of significant assets as well as conducting audits and evaluations of acquisitions and asset improvements. He is responsible for the management of the Finance, Human Resources, Risk and Compliance, Contracts and Procurement, Planning/Regulatory and Legal teams.

TERRY WARD BEng (Civil), GradDipMgt, MEng (Water and Environment), RPEQ, MIE Aust, CPEng
Chief Engineer

Terry commenced employment with GAWB in March 2011. He was appointed Infrastructure Planning and Delivery Manager in April 2012, and then Chief Engineer in December 2016. 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 and water supply projects for the Queensland Government. Terry is responsible for the Engineering and ICT functions of GAWB.

JOHN TUMBERS GradDipMainMgt
Chief Operating Officer

John was appointed to the position of Operations and Maintenance Manager in February 2013 and then Chief Operating Officer in December 2016, as part of GAWB's organisational restructure. John leads the Water Delivery team accountable for the operation of the bulk raw and potable water supply networks and delivery of GAWB's Capital Program. John's portfolio also 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 and asset management in the power generation and resource sectors in New South Wales, South Australia, Queensland and Western Australia. Prior to joining GAWB, John was the Maintenance Manager for a major bulk export port in Port Hedland Western Australia.

ROBIN BERTHELSEN LLB (Hons), AGIA
Corporate Secretary and Assistant Legal Counsel

Robin was appointed to the position of Corporate Secretary and Assistant Legal Counsel in February 2017. Prior to her commencement with GAWB Robin held the position of managing partner with a Central Queensland law firm. Having worked in the legal industry for over 16 years, Robin brings extensive legal and managerial experience to the role. In addition to providing support to the Board of Directors, Robin provides leadership in the area of corporate governance to GAWB, as well as legal assistance and advisory services.

GOVERNANCE – BOARD AND COMMITTEES

Board of Directors and its Committees

The Board has ultimate responsibility for the good governance of GAWB and operates in accordance with its Governance Charter, which reflects the key elements of the ASX's Corporate Governance Principles and Recommendations. 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.

To assist with the execution of its responsibilities, the Board has established the Audit Committee and the following advisory committees:

- People and Capability Committee, and
- Information Systems Change Management Advisory Committee.

The Board also utilises ad hoc working groups to discuss and explore specific issues being considered by the Board, including two workshops each year to address capital works issues.

During the 2016–17 year the Board engaged the services of an independent service provider to conduct a review of board processes and the skill set of Directors and to recommend potential areas for improvement. Following on from the review the Board has incorporated professional development into the board calendar to further develop the skills and expertise of its Directors.

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 Committee assisted the Board in discharging its functions in 2016–17 by providing oversight and facilitating a more detailed analysis of the specialised area of audit. 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 Charter, oversight of risk management is undertaken by the Board.

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 Board comprises five persons, and in accordance with the Act, the Directors are appointed for terms of up to three years by the Governor in Council, including the Director nominated by the Gladstone Regional Council.

The term of appointment for four of the five Directors expired on 27 June 2017. In accordance with section 604(2) of the Act, Directors continue to hold office on expiry of their term until such time as 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 in relation to conflicts of interest and the declaration/disclosure of potential conflicts of interest. This protocol 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.

The Board and GAWB's Executive Team are required to complete a declaration annually advising of any related party transactions involving themselves, their close family members or any associated entities with GAWB in compliance with the *Financial Accountability Act 2009* (Qld) and AASB 124 Related Party Disclosures.

Board processes

GAWB's Board of Directors meet on a monthly basis and more regularly as circumstances require. During 2016–17, the Board met on 13 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.

Audit Committee

The Audit 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 responsibilities relating to the approval of the financial statements. 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 2016–17, the Committee comprised 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 four 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

Internal audit is a fundamental part of corporate governance that ensures that the organisation operates effectively, efficiently and economically. The role of internal audit is to provide independent, objective assurance and advice 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 operates pursuant to a formal Charter approved by the Board. This Charter has due regard to Treasury's Audit Committee Guidelines and other regulatory obligations and best practice. 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 and its reporting procedures and budgets. It also undertakes an annual review of the performance of the internal auditor and makes recommendations concerning the internal auditor 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 that are not directly related to the Audit Committee Charter.

Remuneration

GAWB's 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 high levels of performance and
- to encourage staff to improve their skills and capabilities 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). GAWB seeks to ensure that remuneration levels are, and continue to be, set at levels appropriate to GAWB's goals and circumstances and that they do not exceed 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 that identifies core and key competencies necessary for the delivery of its objectives. This capability framework assists in managing professional and operational training/development programs to ensure that our staff 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 is informed of all major developments affecting GAWB's state of affairs in compliance with the Act. GAWB communicates information to the Minister via the following mechanisms:

- a Corporate Plan, covering the next five financial years, 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, 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, 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, provided to the Minister within 75 days of the end of the financial year and 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*
- a timely response to requests for information from the Minister or Department of Energy and Water Supply.

In accordance with section 580 of the Act, GAWB will provide the Minister with notice of any proposed action that may prevent, or have a significant adverse effect on, GAWB performing its main function.

GOVERNANCE – OTHER SIGNIFICANT ISSUES

Consultancies

No consultants provided services to GAWB during 2016–17.

Overseas travel

No staff members undertook overseas travel during the financial year.

Open data

Information in relation to:

- expenditure on consultants and
- overseas travel

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 2016. 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 2016–17.

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

	2013	2014	2015	2016	2017
<i>(megalitres)</i>					
Water sales (volumetric):					
Raw water	36,245	34,315	33,973	35,630	37,387
Potable water	11,440	12,506	11,933	11,677	10,655
Total	47,685	46,821	45,906	47,307	48,042
<i>(thousands of dollars)</i>					
Water sales revenue ¹	54,212	67,382	70,528	56,841	58,265
Total revenue	57,756	69,595	72,358	60,917	59,689
Depreciation and amortisation	(13,623)	(15,162)	(15,996)	(17,578)	(18,472)
Earnings before interest and tax	23,280	31,415	34,251	21,216	18,154
Profit / (loss) before tax	12,003	15,025	17,930	13,082	9,885
Income tax (expense) / benefit	(3,658)	(4,467)	(5,363)	(3,972)	(3,015)
Profit / (loss) after tax	8,345	10,558	12,567	9,110	6,870
Dividends declared	(2,413) ²	(3,338) ²	(18,500) ²	(7,289)	(5,496)
Total equity	273,725	291,241	326,028	355,051	381,810
Total assets	555,835	587,933	638,071	672,322	721,748
Borrowings	211,773	234,015	229,725	231,395	242,908
Cash from operations before tax	28,828	26,296	35,381	30,188	29,072
Income tax (paid) / refunded	(8,004)	(4,882)	(3,676)	(7,756)	(5,948)
Cash from operations after tax	20,824	21,414	31,705	22,432	23,124
Cash for capital expenditure	55,477	23,422	18,802 ³	15,586 ³	36,592 ³
<i>(Percent)</i>					
Return on assets	4.27	5.49	5.62	3.34	2.66
Return on equity	3.11	3.74	4.07	2.68	1.86
Debt/equity ratio	44	45	41	40	39
<i>(times)</i>					
Cash flow interest cover ratio	3.33	2.61	2.81	4.17	3.43

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 was paid in 2015/16. Similarly, the \$6,764,000 dividend declared in May 2016 was based on 2015/16 profits and was paid in 2016/17.

3 Includes expenditure on intangible assets and excludes capitalised interest.

FINANCIAL STATEMENTS

Statement of comprehensive income	33
Statement of changes in equity	34
Statement of financial position	35
Statement of cash flows	36
Notes to the financial statements	37
Management certification of the financial statements	69
Independent Auditor's report	70



STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Notes	2017 \$000	2016 \$000
Revenue			
Water supply		56,939	56,242
Curtis Island infrastructure and operating charges		1,326	599
Total water revenue		58,265	56,841
Grants and other contributions		1,121	1,248
Other income		303	2,828
Total revenue		59,689	60,917
Expenditure			
Chemicals		(637)	(665)
Contracted, professional, technical and other services		(2,153)	(2,361)
Electricity		(2,217)	(2,032)
Insurance		(786)	(788)
Labour and on costs	6	(10,974)	(9,896)
Maintenance		(1,634)	(1,744)
Motor vehicle expenses		(781)	(703)
Depreciation	4	(15,298)	(14,586)
Amortisation	5	(3,174)	(2,992)
Other expenses		(3,881)	(3,934)
Total expenditure		(41,535)	(39,701)
Profit/(loss) from operating activities		18,154	21,216
Finance income and costs			
Finance income		633	696
Finance costs		(8,902)	(8,830)
Net Finance costs		(8,269)	(8,134)
Profit/(loss) before income tax equivalents		9,885	13,082
Income tax equivalents (expense)/benefit	8	(3,015)	(3,972)
Profit/(loss) for the year		6,870	9,110
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Increase in asset revaluation surplus	9	36,263	38,860
Deferred tax on revaluations	9	(10,879)	(11,658)
<i>Total that will not be reclassified subsequently to profit or loss</i>		25,384	27,202
Total other comprehensive income, net of tax		25,384	27,202
Total comprehensive income for the year		32,254	36,312

The notes on pages 37 to 68 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Notes	Contributed equity \$000	Asset revaluation surplus \$000	Retained earnings \$000	Total equity \$000
Balance at 1 July 2015	9	64,647	229,557	31,824	326,028
Comprehensive income for the period					
Operating result from continuing operations	9	–	–	9,110	9,110
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus	9	–	38,860	–	38,860
Deferred tax on revaluations	9	–	(11,658)	–	(11,658)
Transfer of increments on disposal of assets	9	–	(576)	576	–
Total comprehensive income for the period		–	26,626	9,686	36,312
Transactions with owners as owners					
Dividends proposed	15	–	–	(7,289)	(7,289)
Total transactions with owners as owners		–	–	(7,289)	(7,289)
Balances at 30 June 2016		64,647	256,183	34,221	355,051
Balance at 1 July 2016	9	64,647	256,183	34,221	355,051
Comprehensive income for the period					
Operating result from continuing operations	9	–	–	6,870	6,870
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus	9	–	36,263	–	36,263
Deferred tax on revaluations	9	–	(10,879)	–	(10,879)
Transfer of increments on disposal of assets	9	–	(303)	303	–
Total comprehensive income for the period		–	25,081	7,173	32,254
Transactions with owners as owners					
Dividends proposed	15	–	–	(5,496)	(5,496)
Total transactions with owners as owners		–	–	(5,496)	(5,496)
Balances at 30 June 2017		64,647	281,264	35,899	381,810

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

The notes on pages 37 to 68 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2017

	Notes	2017 \$000	2016 \$000
Current assets			
Cash and cash equivalents	10(a)	19,197	27,156
Trade and other receivables	11	8,064	8,257
Inventory		780	754
Current tax asset		171	–
Total current assets		28,212	36,167
Non-current assets			
Property, plant and equipment	4	673,321	617,157
Intangible assets	5	20,176	18,959
Biological assets		39	39
Total non-current assets		693,536	636,155
Total assets		721,748	672,322
Current liabilities			
Trade and other payables	12	10,341	4,225
Employee benefits	14	1,440	1,660
Provisions	15	5,624	7,417
Revenue received in advance		1,234	1,243
Current tax liabilities		–	1,094
Total current liabilities		18,639	15,639
Non-current liabilities			
Loans and borrowings	13	242,908	231,395
Employee benefits	14	384	329
Revenue received in advance		2,964	4,074
Deferred tax liabilities	16	74,918	65,708
Provisions	15	125	127
Total non-current liabilities		321,299	301,632
Total liabilities		339,938	317,271
Net assets		381,810	355,051
Equity			
Issued capital	9	64,647	64,647
Asset revaluation surplus	9	281,264	256,183
Retained earnings	9	35,899	34,221
Total equity		381,810	355,051

The notes on pages 37 to 68 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	Notes	2017 \$000	2016 \$000
Cash flows from operating activities			
<i>Inflows:</i>			
Receipts from customers		58,897	59,730
Interest received		633	696
GST input tax credits from ATO		3,679	2,681
GST collected from customers		472	164
<i>Outflows:</i>			
Payments to employees		(11,093)	(9,544)
Payments to suppliers and services		(10,137)	(12,926)
Borrowing costs paid		(8,892)	(7,679)
GST paid to suppliers		(4,105)	(2,647)
GST remitted to ATO		(377)	(287)
Income taxes paid		(5,948)	(7,756)
Refund of security deposits		(5)	–
Net cash provided by operating activities		23,124	22,432
Cash flows from investing activities			
<i>Inflows:</i>			
Proceeds from sale of property, plant & equipment		16	1,182
Security deposits received		–	749
Curtis Island advances on account		1,542	53
<i>Outflows:</i>			
Acquisition of property, plant & equipment		(32,387)	(13,135)
Acquisition of intangible assets		(4,205)	(2,451)
Costs on disposal of property, plant & equipment		(16)	(104)
Interest paid on construction of property, plant & equipment		(244)	–
Net cash used in investing activities		(35,294)	(13,706)
Cash flows from financing activities			
<i>Inflows:</i>			
Proceeds from borrowings		11,500	–
<i>Outflows:</i>			
Dividends paid		(7,289)	(10,055)
Repayment of borrowings		–	–
Net cash from financing activities		4,211	(10,055)
Net increase/(decrease) in cash and cash equivalents		(7,959)	(1,329)
Cash and cash equivalents at 1 July		27,156	28,485
Cash and cash equivalents at 30 June	10(a)	19,197	27,156

The notes on pages 37 to 68 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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 section 43 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).

These financial statements were approved for issue by the directors on 24 August 2017.

(b) Basis of measurement

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), (a) and 4.

(c) Functional and presentation currency, rounding and presentation classifications

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 unless disclosure of the full amount is specifically required. Other amounts included in the financial statements are rounded to the nearest thousand unless otherwise stated.

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or GAWB does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

(d) Use of estimates and judgements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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. Using market-based measurements, fair value is determined by maximising the use of observable inputs and minimising the use of unobservable inputs.

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.

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, including material valuation issues, 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: reflects quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: 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 (a) and 4.

(f) Authorisation of financial statements for issue

The financial statements are authorised for issue by the Chair, Chief Executive Officer and Chief Financial Officer at the date of signing the management certificate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

3. Significant accounting policies

(a) Property, plant and equipment

(i) Recognition and measurement

All assets, 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. 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 less any subsequent accumulated depreciation and subsequent impairment loss where applicable. Assets under construction are not depreciable until they are commissioned. Minor plant and equipment and motor vehicles are measured at cost.

(ii) Revaluations

Classes of assets measured at fair value are revalued 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 annually. In 2017, a comprehensive revaluation was undertaken internally by GAWB on the basis outlined in Note 4.

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 required application of the net method on revaluation when the income based valuation approach is applied. In line with this requirement, depreciation and impairment loss disclosures have been netted off against the gross amount of revalued assets.

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 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 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 2017

3. Significant accounting policies (continued)

(a) Property, plant and equipment (continued)

(iii) Subsequent costs

Subsequent expenditure includes major replacements, overhauls, refurbishment or major inspections and is capitalised if it is probable that the future economic benefits embodied within the expenditure 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.

(iv) Depreciation and impairment

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each 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:

	2017	2016
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 (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 2017

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 the expenditure 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 incurred in the development of qualifying assets are recognised in profit or loss. Other development expenditure incurred is recognised in profit or loss.

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, 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 on a straight line basis 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 2017, the Lower Fitzroy River Infrastructure Project has received State and Commonwealth environmental approvals, while preparation of the business case continued during 2016/17 with completion expected first quarter of 2017-18. 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 (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 statement of financial position. Payments made under operating lease, including any lease incentives, are recognised in profit or loss on a straight-line basis 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 2017

3. Significant accounting policies (continued)

(d) Impairment

(i) *Non-Derivative Financial assets*

An assessment is made at each reporting 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.

Portfolios of similar 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, including any deterioration in industry performance, technological obsolescence as well as identified structural weaknesses or deterioration in cash flows. These characteristics 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.

For assets measured at amortised cost, impairment losses, measured 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.

Impairment losses are recognised in profit or loss and reflected in an allowance account. On confirmation that a financial asset will not be collectable, the gross carrying value of the asset is written off.

(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.

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 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.

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 2017

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 29 May 2015, 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 2015 Price Review, covering the regulatory period 1 July 2015 to 30 June 2020. 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 water supplied and/or work completed at reporting date. Primarily, customers have no right of return.

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; they 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 as other income in profit or loss on a systematic basis in the same periods in which the associated 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 2017

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 statement of comprehensive income, and gains on hedging instruments that are recognised in statement of comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, other borrowing costs GAWB incurred in connection with the borrowing of funds, unwinding of the discount on provisions, 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.

(h) Income tax

GAWB is subject to the National Taxation Equivalents Regime. Income tax equivalents comprise current and deferred income tax.

(i) Current income tax

Current income tax expense (income) charged to the profit or loss is the tax payable (refundable) on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. When the tax relates to items that are recognised outside the profit and loss, current income tax expense (income) is charged or credited outside the profit and loss.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

(ii) Deferred income tax

Deferred income tax expense (income) reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. When the tax relates to items that are recognised outside the profit and loss, deferred income tax expense (income) is charged or credited outside the profit and loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax is not recognised for:

- the initial recognition of an asset or liability, except for business combinations, where there is no effect on accounting or taxable profit or loss; and
- temporary differences in relation to investments in subsidiaries, branches, associates, and joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

3. Significant accounting policies (continued)

(i) Goods and services tax

Revenue, expenses, assets and liabilities 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 revenue, expense, asset or liability.

(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 of economic benefits will be required to settle the obligation. Provisions are recognised at the amount expected at reporting date for which the obligation will be settled in a future period, determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) 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 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* amends several standards. These 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). Any material impact has been disclosed.
- 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. A review of 2016/17 disclosures resulted in some minor changes to note disclosures.
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* removes the exemption for not-for-profit entities from a range of key management personnel (KMP) and related party disclosures. There was no material impact on disclosures as a result of this amending standard.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

3. Significant accounting policies (continued)

(ii) Future impact of accounting standards not yet effective

The following standards, amendments to standards and interpretations will become effective for the year ended 30 June 2018 and periods thereafter and so have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* (December 2014), AASB 2014-7 and AASB 2014-8 amends the classification, recognition, derecognition and measurement of financial assets and liabilities, effective from the 2018/19 financial year. An assessment of the likely impact of this standard will be made in the financial statements for 30 June 2018. The change is not expected to have a material impact.
- AASB 15 *Revenue from Contracts with Customers* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* and AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* replaces AASB 11 *Construction Contracts* and AASB 18 *Revenue* and related interpretations, effective from the 2018/19 financial year. AASB 15 provides a comprehensive framework for revenue recognition. The change is not expected to have a material impact.
- AASB 16 *Leases* is effective from the 2019/20 financial year. It supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 removes the classification of leases as operating or finance leases, effectively treating all leases as finance leases. The change is not expected to have a material impact based on current leasing activities.
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* is effective from 2017/18 financial year. AASB 2016-1 clarifies that the recognition of deferred tax assets as a result of a deductible temporary difference depends on the comparison of an asset's carrying amount and its tax base, specifically in relation to debt instruments measured at fair value. Further analysis of the impact will be undertaken in the 2017/18 financial year.
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*, effective from 2017/18 financial year, provides additional disclosure requirements in the Statement of Cash Flows allowing users to evaluate changes in liabilities arising from financing activities. Due to the nature of GAWB's debt financing activities, the impact is expected to be minor. Further analysis will be undertaken in the 2017/18 financial year.

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

(i) 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 2017

	2017 \$000	2016 \$000
4. Property, plant and equipment		
Land, buildings & improvements		
Land:		
At directors' valuation	14,513	13,589
Buildings & improvements:		
At directors' valuation	23,099	25,672
Total land, buildings & improvements	37,612	39,261
Infrastructure assets		
At directors' valuation	583,123	557,284
Total infrastructure assets	583,123	557,284
Minor plant & equipment		
At cost	6,671	6,226
Accumulated depreciation	(4,160)	(3,517)
Total minor plant & equipment	2,511	2,709
Motor vehicles		
At cost	376	359
Accumulated depreciation	(143)	(106)
Total motor vehicles	233	253
Assets under construction		
At cost	49,842	17,650
Total property, plant and equipment carrying amount	673,321	617,157

Comprehensive valuation of property, plant and equipment

GAWB undertakes a comprehensive valuation of the asset base, using an income based approach, annually. This approach was applied internally by GAWB as at 30 June 2017 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

4. Property, plant and equipment (continued)

Comprehensive valuation of property, plant and equipment (continued)

- The QCA-recommended pricing methodology sets a constant real price over a 20-year period such that the present value of expected revenue over a 20-year period equals the present value of economic costs. However, there will be an under-recovery in the early years and an over recovery in the later years. Included in the residual value at 30 June 2020 is \$155.06 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 the dividend payable for a financial year in accordance with section 660 of the *Water Act 2000*.

The fair value measurement for land, buildings & improvements and infrastructure assets of \$620.74 million (2016: \$596.55 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

4. Property, plant and equipment (continued)

Reconciliation	Land, buildings & improvements \$000	Infrastructure assets \$000	Minor plant & equipment \$000	Motor vehicles \$000	Assets under construction \$000	Total \$000
Carrying amount at 1 July 2015	37,640	528,739	2,990	39	6,924	576,332
Additions	–	–	–	–	17,138	17,138
Disposals	(312)	(122)	(62)	–	(91)	(587)
Transfers	604	5,068	395	254	(6,321)	–
Depreciation	(1,228)	(12,704)	(614)	(40)	–	(14,586)
Revaluation increment/(decrement)*	2,557	36,303	–	–	–	38,860
Carrying amount at 30 June 2016	39,261	557,284	2,709	253	17,650	617,157
Carrying amount at 1 July 2016	39,261	557,284	2,709	253	17,650	617,157
Additions	–	–	–	–	35,360	35,360
Disposals	(81)	(62)	(18)	–	–	(161)
Transfers	(2,406)	5,063	488	23	(3,168)	–
Depreciation	(1,333)	(13,254)	(668)	(43)	–	(15,298)
Revaluation increment/(decrement)*	2,172	34,091	–	–	–	36,263
Carrying amount at 30 June 2017	37,612	583,123	2,511	233	49,842	673,321

* 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 2016				
Land, buildings & improvements	–	–	39,261	39,261
Infrastructure assets	–	–	557,284	557,284
Carrying amount at 30 June 2016	–	–	596,545	596,545
30 June 2017				
Land, buildings & improvements	–	–	37,612	37,612
Infrastructure assets	–	–	583,123	583,123
Carrying amount at 30 June 2017	–	–	620,735	620,735

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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.

	2017 \$000	2016 \$000	
Land, buildings and infrastructure at deemed historical cost			
Land	8,000	7,996	
Buildings	17,376	20,529	
Infrastructure	351,924	347,324	
Total cost	377,300	375,849	
Level 3 fair value reconciliation			
	Land & Infrastructure buildings \$000	assets \$000	Total \$000
Carrying amount at 1 July 2015	37,640	528,739	566,379
Acquisitions	604	5,068	5,672
Disposals	(312)	(122)	(434)
Depreciation	(1,228)	(12,704)	(13,932)
Gains/(losses) recognised in other comprehensive income	2,557	36,303	38,860
Carrying amount at 30 June 2016	39,261	557,284	596,545
Carrying amount at 1 July 2016	39,261	557,284	596,545
Acquisitions	635	2,022	2,657
Disposals	(81)	(62)	(143)
Depreciation	(1,333)	(13,254)	(14,587)
Transfers	(3,041)	3,041	–
Gains/(losses) recognised in other comprehensive income	2,172	34,091	36,263
Carrying amount at 30 June 2017	37,612	583,123	620,735

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	2017 \$000	2016 \$000
5. Intangible assets		
Software		
At cost	4,869	1,748
Accumulated amortisation	(2,138)	(1,286)
Total software	2,731	462
Land reservations		
At cost	64	64
Easements		
At cost	625	625
CSS development costs		
At cost	27,350	34,249
Accumulated amortisation	(16,058)	(20,508)
Total CSS development costs	11,293	13,741
Assets under construction		
At cost	5,463	4,067
Total intangible assets	20,176	18,959

	Software reservations \$000	Land Easements \$000	CSS development costs \$000	Assets under construction \$000	Total \$000	
Balance at 1 July 2015	494	116	558	15,284	2,331	18,783
Additions	–	–	–	–	3,175	3,175
Disposals	–	–	–	–	(7)	(7)
Transfers	304	(52)	67	1,113	(1,432)	–
Amortisation	(336)	–	–	(2,656)	–	(2,992)
Balance at 30 June 2016	462	64	625	13,741	4,067	18,959
Balance at 1 July 2016	462	64	625	13,741	4,067	18,959
Additions	–	–	–	–	4,391	4,391
Disposals	–	–	–	–	–	–
Transfers	3,121	–	–	(126)	(2,995)	–
Amortisation	(852)	–	–	(2,322)	–	(3,174)
Balance at 30 June 2017	2,731	64	625	11,293	5,463	20,176

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	2017 \$000	2016 \$000
6. Labour and on costs		
Wages and salaries	7,370	7,138
Contributions to superannuation plans	916	812
Annual leave expense	747	676
Long service leave expense	127	79
On costs and other expenses	671	421
Total direct employment costs	9,830	9,125
Labour hire costs	572	240
Other labour related costs	572	531
Total labour and on costs	10,974	9,896

On costs and other expenses represents the total of fringe benefits tax, payroll tax and workers' compensation insurance premiums. Specifically, the amount recognised as an expense for workers' compensation insurance was \$0.10 million for the financial year ended 30 June 2017 (2016: \$0.09 million).

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

Full-time equivalent employees (FTEs)

GAWB employed 97.7 FTEs as at 30 June 2017 (2016: 86.1 FTEs). This included both full-time employees, part-time and casual employees, measured on a full-time equivalent basis.

Superannuation fund contributions

GAWB makes contributions to superannuation funds. The amount recognised as expense was \$0.92 million for the financial year ended 30 June 2017 (2016: \$0.81 million).

7. Auditors' remuneration

Audit services

Queensland Audit Office		
Audit and review of financial reports	82	65

For the 30 June 2017 audit, the amount quoted for the audit fee was \$0.08 million (2016: \$0.07 million). There are no non-audit services included in these amounts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	2017 \$000	2016 \$000
8. Income tax equivalents		
Recognised in the Statement of Comprehensive Income		
<i>Current tax equivalents (expense)/benefit</i>		
Current year	(4,707)	(5,409)
<i>Deferred tax equivalents (expense)/benefit</i>		
Origination and reversal of temporary differences	1,692	1,437
Total income tax (expense)/benefit	(3,015)	(3,972)
<i>Numerical reconciliation between tax expense and pre-tax net profit</i>		
Profit/(loss) for the year	6,870	9,110
Total income tax expense/(benefit)	3,015	3,972
Profit/(loss) excluding income tax equivalents expense	9,885	13,082
Income tax equivalents (expense)/benefit calculated at 30%	(3,011)	(3,970)
Non-deductible entertainment	(4)	(2)
	(3,015)	(3,972)

9. Capital and reserves

Contributed equity		
Balance at 1 July	64,647	64,647
Balance at 30 June	64,647	64,647
Asset revaluation surplus		
Balance at 1 July	256,183	229,557
Revaluation increments/(decrements)	36,263	38,860
Deferred tax on revaluations	(10,879)	(11,658)
Transfer of increments on disposal of assets – net of tax	(303)	(576)
Balance at 30 June	281,264	256,183
<i>Asset revaluation surplus</i>		

The asset revaluation surplus relates to the revaluation of property, plant and equipment measured at fair value.

Retained earnings

Retained earnings at 1 July	34,221	31,824
Transfer of increments on disposal of assets	303	576
Dividends proposed	(5,496)	(7,289)
Profit/(loss) for the year	6,870	9,110
Retained earnings at 30 June	35,899	34,221

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	2017 \$000	2016 \$000
10(a) Cash and cash equivalents		
Cash at bank	2,686	2,487
Deposits at Queensland Treasury Corporation, at call	16,511	24,669
Total cash and cash equivalents	19,197	27,156

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked as at 30 June.

10(b) Reconciliation of operating result to net cash from operating activities

Operating profit/(loss) after income tax equivalents	6,870	9,110
Non-cash items included in operating result:		
Adjustments for: Depreciation	15,298	14,586
Amortisation	3,174	2,992
Net (gain)/loss on sale of property, plant and equipment	271	(622)
	25,614	26,066
Change in assets and liabilities:		
(Increase)/decrease in trade receivables	81	1,828
(Increase)/decrease in capital projects receivables	–	53
(Increase)/decrease in other receivables & prepayments	(432)	20
(Increase)/decrease in deferred tax assets	(433)	80
Increase/(decrease) in trade creditors	360	(329)
Increase/(decrease) in operating accruals	443	(605)
Increase/(decrease) in deferred tax liabilities	9,643	10,141
Increase/(decrease) in employee benefits	163	389
Increase/(decrease) in current tax liabilities	(1,264)	(2,347)
Increase/(decrease) in provisions	935	(30)
Increase/(decrease) in borrowing costs	13	–
Increase/(decrease) in deferred income	(1,119)	(1,176)
Increase/(decrease) in tax regarding asset revaluation surplus	(10,879)	(11,658)
Net cash from operating activities	23,124	22,432

11. Trade and other receivables

Current		
Trade receivables	6,418	6,499
Other receivables and prepayments	1,646	766
Capital project payments on account	–	992
Total trade and other receivables	8,064	8,257

Receivables are measured at amortised cost which approximates their fair value at reporting date. Trade receivables are recognised at the amounts due at the time of service delivery at the agreed contract price. Settlement of these amounts is required within 30 days from invoice date. Receivables, other than trade receivables and prepayments, generally arise from transactions outside of GAWB's usual operating activities and are recognised at their assessed values.

An ageing analysis and details of impairment (if any) are provided in note 17(b) . Financial risk management (Credit risk).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	2017 \$000	2016 \$000
12. Trade and other payables		
Current		
Trade creditors	2,243	625
Accrued audit fees	19	26
Security deposits	140	146
Other accruals	7,939	3,428
Total trade and other payables	10,341	4,225

13. Loans and borrowings

GAWB has a working capital facility of \$10.00 million (2016: \$10.00 million) available through Queensland Treasury Corporation (QTC) to assist in managing short term cash requirements.

Finance facilities

Available at reporting date	252,908	241,395
Utilised at reporting date (current and non-current loans and borrowings – unsecured)	(242,908)	(231,395)
Working capital	10,000	10,000

14. Employee benefits

Current

Liability for long service leave	441	424
Liability for annual and other leave	999	908
Accrued payroll	–	328
	1,440	1,660

Non-current

Liability for long service leave	384	329
----------------------------------	-----	-----

15. Provisions

Current

Dividend	5,496	7,289
Indigenous Land Use Agreement (ILUA) liability	128	128
	5,624	7,417

Non-current

Restoration	125	126
-------------	-----	-----

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Property, plant & equipment	–	–	(83,250)	(73,607)	(83,250)	(73,607)
Intangible assets	6,484	5,818	–	–	6,484	5,818
Other assets	–	–	–	–	–	–
Trade & other payables	42	9	–	–	42	9
Employee benefits	527	482	–	–	527	482
Provisions	–	–	–	–	–	–
Unearned income	–	–	–	–	–	–
Revenue received in advance	1,279	1,590	–	–	1,279	1,590
Tax assets/(liabilities)	8,332	7,899	(83,250)	(73,607)	(74,918)	(65,708)

Movement in temporary differences during the year:

	Balance 1 July 2015 \$000	Recognised in income \$000	Under/over prior years \$000	Recognised in equity \$000	Balance 30 June 2016 \$000
Property, plant and equipment	(62,827)	878	–	(11,658)	(73,607)
Intangible assets	5,012	806	–	–	5,818
Other assets	(94)	94	–	–	–
Trade & other payables	18	(9)	–	–	9
Employee benefits	480	2	–	–	482
Provisions	8	(8)	–	–	–
Unearned income	–	–	–	–	–
Revenue received in advance	1,916	(326)	–	–	1,590
Movement in temporary differences	(55,487)	1,437	–	(11,658)	(65,708)

	Balance 1 July 2016 \$000	Recognised in income \$000	Under/over prior years \$000	Recognised in equity \$000	Balance 30 June 2017 \$000
Property, plant and equipment	(73,607)	1,236	–	(10,879)	(83,250)
Intangible assets	5,818	666	–	–	6,484
Other assets	–	–	–	–	–
Trade & other payables	9	33	–	–	42
Employee benefits	482	45	–	–	527
Provisions	–	–	–	–	–
Unearned income	–	–	–	–	–
Revenue received in advance	1,590	(333)	22	–	1,279
Movement in temporary differences	(65,708)	1,647	22	(10,879)	(74,918)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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, delegating 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.

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

A financial instrument is recognised if GAWB becomes a party to the contractual provisions of the instrument. Non-derivative financial instruments are initially recognised at fair value, subsequently they are measured at amortised cost, unless the change is material. 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. The maturity analysis in Note 17(c) is an exception to this for the net fair value of Queensland Treasury Corporation borrowings, which is based on market prices (categorised as level 2 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.

Classification

Financial Instruments are classified and measured as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

17. Financial risk management (continued)

	Total carrying amount		Net fair value	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Financial Assets				
Cash and cash equivalents:				
Cash at bank and on hand	2,686	2,487	2,686	2,487
Deposits at Queensland Treasury Corporation, at call	16,511	24,669	16,511	24,669
Trade and other receivables	8,064	8,257	8,064	8,257
	27,261	35,413	27,261	35,413
Financial Liabilities				
Interest-bearing liabilities	242,908	231,395	247,830	240,053
Trade and other payables	10,341	4,225	10,341	4,225
	253,249	235,620	258,171	244,278

(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. The collectability of receivables is assessed periodically with provision being made where receivables are impaired.

Cash and cash equivalents

GAWB holds cash and cash equivalents of \$19.20 million at 30 June 2017 (2016: \$27.16 million). Cash at bank is held with bank counterparties, which are rated AA3 based on Moody's 30 June 2017 ratings. The deposits at Queensland Treasury Corporation (QTC) are held with QTC, the Queensland government's central financing authority.

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 \$1.36 million of trade receivables at 30 June 2017 (2016: \$1.18 million).

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

	2017 \$000	2016 \$000
Trade receivables not impaired		
Not due	4,845	4,520
Overdue <31 days	1,573	1,978
Overdue 31–60 days	–	–
Overdue >60 days	–	1
Total	6,418	6,499

As at 30 June 2017 GAWB had current trade receivables of \$Nil (2016: \$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 2017

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 reporting date:

	2017 \$000	2016 \$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	242,908	231,395
Used at reporting date	242,908	231,395
Unused at reporting date	-	-

The overdraft facility may be drawn down at any time but may be terminated by the financier without notice. Of the loan facilities, \$242.91 million is fully drawn and has a maturity of 20 years (2016: \$231.40 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 2016						
Financial liabilities						
Trade and other payables	-	-	-	-	4,225	4,225
Interest-bearing liabilities	8,881	35,547	341,660	-	-	386,088
Total	8,881	35,547	341,660	-	4,225	390,313
30 June 2017						
Financial liabilities						
Trade and other payables	-	-	-	-	10,341	10,341
Interest-bearing liabilities	7,125	39,360	229,725	-	-	276,210
Total	7,125	39,360	229,725	-	10,341	286,551

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 2017

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 2016					
Cash at bank	2,488	-	-	-	-
Deposits at Queensland Treasury Corporation, at call	24,668	(247)	(247)	247	247
30 June 2017					
Cash at bank	2,686	-	-	-	-
Deposits at Queensland Treasury Corporation, at call	16,511	(165)	(165)	165	165

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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. 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 41.1%–65.0%. GAWB's gearing ratio at reporting date is shown below:

	2017 \$000	2016 \$000
Gearing ratios		
Total debt	242,908	231,395
Total equity	381,810	355,051
Total equity and net debt	624,718	586,446
Gearing ratio	39%	39%

(f) Classification of financial instruments recorded at fair value

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 June 2016				
<i>Financial assets</i>				
Cash and cash equivalents	27,156	–	–	27,156
30 June 2017				
<i>Financial assets</i>				
Cash and cash equivalents	19,197	–	–	19,197

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	2017 \$000	2016 \$000
18. Commitments		
(a) Leases as lessee		
Commitments under operating leases at reporting date are exclusive of anticipated GST if the GST is recoverable, otherwise they are inclusive and are payable as follows:		
Not later than 1 year	841	687
Later than one year not later than five years	1,483	1,070
Later than five years	3,934	1,444
	6,258	3,201

During the year ended 30 June 2017, \$0.61 million was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2016: \$0.59 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	264	185
Later than one year, but not later than five years	39	158
More than five years	–	–
	303	343
Amounts to be capitalised:		
Not later than one year	29,003	11,194
Later than one year, but not later than five years	913	–
More than five years	–	–
Infrastructure projects	29,916	11,194

19. Contingencies

- (a) On 24 March 2016, the Expert panel made its determination in respect of GAWB's dispute relating to a terminated construction contract requiring the contractor to pay GAWB a specified amount. Following the identification of errors in some of the Expert panel's calculations in the determination and the parties agreeing to the corrected calculations, the Expert panel issued a revised final determination on 10 June 2016. The contractor proposed a settlement and, in accordance with a deed of settlement and release (dated 2 November 2016) between all parties, monies paid into court by the contractor have been paid directly to GAWB in part payment of the amounts payable. The balance of monies payable were paid on 12 January 2017. All monies were held by GAWB's lawyers in their trust account. In late February 2017, these monies were distributed in accordance with the deed of settlement. 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 2017

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 2016/17 financial year and during the 2015/16 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	1 January 2015
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			4 August 2011
Director – Mr Graham McDonald			27 June 2014 (15 September 2016)
Director – Mr Poya (PJ) Sobhanian			15 September 2016
Director – Mr John Orange			1 January 2015

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

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, management of financial, legal, contract & procurement, human resource and risk & compliance functions and all associated reporting.	Common law contract	29 April 2011 (18 February 2016) 21 March 2016
Chief Operating Officer (from 12 December 2016) ¹	Water quality, treatment plant operations, asset management activities, delivery of capital works program, land administration and catchment management, leadership of the 2020 price reset and disaster management coordination.	Common law contract	12 December 2016

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

Chief Engineer (from 12 December 2016) ¹	Setting of engineering and information systems standards, development of technologies for future improvement in engineering and information systems, oversight of dam safety management, drought management planning. Incorporates network modelling and infrastructure planning functions.	Common law contract	12 December 2016
Infrastructure Planning & Delivery Manager (until 12 December 2016) ¹	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 (12 December 2016)
Operations & Maintenance Manager (until 12 December 2016) ¹	Water quality, treatment plant operations, asset maintenance activities and disaster management coordination.	Common law contract	25 February 2013 (12 December 2016)

¹ Change in title and responsibilities in line with the reorganisation undertaken by GAWB, effective from 12 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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 KMP during the year while they were a KMP, that were recognised as expenses in the Statement of Comprehensive Income;
 - Performance payments for the achievement of balanced organisational performance outcomes (meeting water needs, commercial results, corporate responsibility and capability), with bonuses capped at 15% of KMP remuneration recognised as an expense during the year; and
 - Non-monetary benefits in the form of salary packaging, 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 KMP to a performance payment for the year ended 30 June 2017 had not yet been determined by the Board. Therefore, any performance payment approved by the Board will be reported as an expense within the 2017/18 financial year.

Sitting Councillors are not remunerated. Mr Graham McDonald, who was the GRC nominee to the Board, did not contest the local government election in March 2016. Under the Water Act, a Director continues holding office after the Director's term of office ends until the Director's successor is appointed. Following approval by the Governor in Council as the GRC - nominated successor Mr Poya (PJ) Sobhanian was appointed to the Board on 15 September 2016. Director compensation included the following:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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				
2016						
Chairperson – Mr Denis Cook	58	–	–	6	–	64
Director – Ms Patrice Brown	29	–	–	3	–	32
Director – Mr Malcolm Leinster	30	–	–	3	–	33
Director – Cr Graham McDonald	8	–	–	1	–	9
Director – Mr John Orange	32	–	–	–	–	32
Total Remuneration	157	–	–	13	–	170
2017						
Chairperson – Mr Denis Cook	58	–	–	6	–	64
Director – Ms Patrice Brown	28	–	–	3	–	31
Director – Mr Malcolm Leinster	31	–	–	3	–	34
Director – Cr Graham McDonald	6	–	–	1	–	7
Director – Cr Poya (PJ) Sobhanian	–	–	–	–	–	–
Director – Mr John Orange	32	–	–	–	–	32
Total Remuneration	155	–	–	13	–	168

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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 \$000	Post employment benefits \$000	Termination benefits \$000	Total remuneration \$000
	Monetary benefits \$000	Non-monetary benefits \$000				
2016						
Chief Executive Officer	330	29	(6)	28	–	381
Chief Financial Officer ¹	196	1	(27)	16	–	186
Operations & Maintenance Manager	216	1	4	18	–	239
Infrastructure Planning & Delivery Manager	209	(1)	6	18	–	232
Corporate Secretary	120	–	(7)	20	55	188
Total Remuneration	1,071	30	(30)	100	55	1,226
2017						
Chief Executive Officer	373	28	15	26	–	442
Chief Financial Officer	226	–	2	21	–	249
Chief Operating Officer (previously Operations & Maintenance Manager)	236	1	4	20	–	261
Chief Engineer (previously Infrastructure Planning & Delivery Manager)	218	–	3	21	–	242
Total Remuneration	1,053	29	24	88	–	1,194

Key executive management personnel performance bonuses

A performance bonus was paid on 29 September 2016 to the Chief Executive Officer, Chief Financial Officer, Infrastructure Planning & Delivery Manager and Operations & Maintenance Manager. In the prior year, a performance bonus was paid on 1 October 2015 to the Chief Executive Officer, Chief Financial Officer, Infrastructure Planning & Delivery Manager, Operations & Maintenance Manager and Corporate Secretary. Performance bonuses are recognised as an expense during the year they are paid.

1. Chief Financial Officer role; 1 July 2015 to 18 February 2016 total remuneration \$0.127million; 21 March 2016 to 30 June 2016 total remuneration \$0.059 million.

	2017 Number	2016 Number
\$40,000 to \$49,999	1	1
\$30,000 to \$39,999	–	–
\$20,000 to \$29,999	2	3
\$10,000 to \$19,999	–	1
\$0 to \$9,999	1	–
Total	4	5

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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 Mr Poya (PJ) Sobhanian and Mr G.E. McDonald were councillors; 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 13 transactions for the supply of goods and services to director related entities during the year (2016: 13 transactions) and 77 transactions for the purchase of goods and services (2016: 86 transactions). The aggregate amounts recognised in profit or loss during the year relating to directors and director related entities, other than directors' remuneration, comprise:

	2017 \$000	2016 \$000
Revenue		
Water supply revenue	15,667	19,016
Other income	101	–
	15,768	19,016
Expenditure		
Other expenses	328	433

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

Receivables		
Trade receivables	1,356	1,175
Payables		
Trade creditors	–	6
Other payables and accruals	142	121
Total	142	127

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

The terms and conditions of the transactions with KMP 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, KMP 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 minor 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 43 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;
- (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 2017 and of the financial position of the Gladstone Area Water Board at the end of that year; and
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



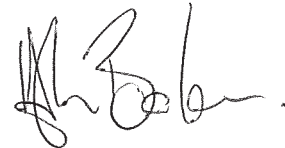
D.J. Cook

Chair



J. Grayson

Chief Executive Officer



H. Barbour

Chief Financial Officer

Gladstone Area Water Board

24 August 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Gladstone Area Water Board

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Gladstone Area Water Board.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in the entity's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the entity 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 the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

INDEPENDENT AUDITOR'S REPORT

To the Board of Gladstone Area Water Board

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



Rachel Vagg
as delegate of the Auditor-General



Queensland Audit Office
Brisbane

APPENDIX 1 – GOVERNMENT BODY SUMMARY

Name of Government body: Gladstone Area Water Board					
Act or instrument	<i>Water Act 2000</i> – Section 1084				
Functions	Principally the ownership, management, operation and maintenance of dams, treatment plants, pipelines and other bulk water distribution infrastructure, hatchery and dam recreational areas and any other occupation incidental thereto.				
Achievements	Refer Chairperson's Review				
Financial reporting	Financial results are presented in the financial statements. GAWB is not exempted from a financial statement audit by the Auditor-General.				
Remuneration					
Position	Name	Meetings/sessions attendance	Approved annual, sessional or daily fee	Approved sub-committee fees if applicable	Actual fees received ¹
Chair	Denis Cook	Board: 12 Audit Committee: 4	\$55,000 pa	\$3,000 pa	\$63,510
Director	Patrice Brown	Board: 10	\$27,500 pa	N/A	\$30,112
Director	Malcolm Leinster	Board: 13 Audit Committee: 4	\$27,500 pa	\$3,000 pa	\$33,397
Director	Graham McDonald	Board: 4	Nil	Nil	\$6,949
Director	John Orange	Board: 13 Audit Committee: 4	\$27,500 pa	\$4,000 pa	\$31,500
Director	Poya (PJ) Sobhanian	Board: 7	Nil	Nil	\$Nil
No. scheduled meetings/sessions	Board: 13 Audit Committee: 4				
Total out of pocket expenses	\$4299				

¹ Actual fees received include approved fees plus superannuation of 9.5%, except for one director who was appointed on a contractual basis.

APPENDIX 2 – COMPLIANCE CHECKLIST

Summary of requirement	Basis for requirement	Annual report reference
Letter of Compliance	• A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – Section 8 Page 4
Accessibility	<ul style="list-style-type: none"> • Table of contents • Glossary • Public availability • Interpreter service statement • Copyright notice • Information Licensing 	ARRs – section 10.1 Page 3 Page 74 ARRs – section 10.2 Inside Back Cover <i>Queensland Government Language Services Policy</i> Inside Back Cover ARRs – section 10.3 <i>Copyright Act 1968</i> Inside Back Cover ARRs – section 10.4 QGEA – <i>Information Licensing</i> ARRs – section 10.5 Departments only
General information	<ul style="list-style-type: none"> • Introductory Information • Agency role and main functions • Operating environment 	ARRs – section 11.1 Pages 5-8 ARRs – section 11.2 Pages 5-8 ARRs – section 11.3 Pages 5-8 and 13-23
Non-financial performance	<ul style="list-style-type: none"> • Government's objectives for the community • Other whole-of-government plans / specific initiatives • Agency objectives and performance indicators • Agency service areas and service standards 	ARRs – section 12.1 Pages 5-8 and 13-23 ARRs – section 12.2 Pages 5-8 and 13-23 ARRs – section 12.3 Pages 5-8, 13-23 and 31 ARRs – section 12.4 Pages 6-9, 13-23 and 31
Financial performance	<ul style="list-style-type: none"> • Summary of financial performance 	ARRs – section 13.1 Pages 9-10, 31 and 32-68
Governance – management and structure	<ul style="list-style-type: none"> • Organisational structure • Executive management • Government bodies (statutory bodies and other entities) • <i>Public Sector Ethics Act 1994</i> • Queensland public service values 	ARRs – section 14.1 Pages 11-12 and 24 ARRs – section 14.2 Pages 24-25 ARRs – section 14.3 Appendix 1 Page 72 <i>Public Sector Ethics Act 1994</i> ARRs – section 14.4 Page 30 ARRs – section 13.5 Page 6
Governance – risk management and accountability	<ul style="list-style-type: none"> • Risk management • Audit Committee • Internal Audit • External scrutiny • Information systems and recordkeeping 	ARRs – section 15.1 Page 22 ARRs – section 15.2 Page 27 ARRs – section 15.3 Page 27 ARRs – section 15.4 N/A – No significant findings or issues identified by external reviewers. ARRs – section 15.5 Pages 22 and 30
Governance – human resources	<ul style="list-style-type: none"> • Workforce planning and performance • Early retirement, redundancy and retrenchment 	ARRs – section 16.1 Pages 21 and 28 Directive No.11/12 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2 Departments and Public Service Offices
Open Data	<ul style="list-style-type: none"> • Consultancies • Overseas travel • Queensland Language Services Policy 	ARRs – section 17 Page 30 ARRs – section 34.1 ARRs – section 17 Page 30 ARRs – section 34.2 ARRs – section 17 Departments and participating statutory bodies ARRs – section 34.3
Financial statements	<ul style="list-style-type: none"> • Certification of financial statements • Independent Auditor's Report 	FAA – section 62 Page 69 FPMS – sections 42, 43 and 50 ARRs – section 18.1 FAA – section 62 Pages 70 FPMS – section 50 ARRs – section 18.2

FAA *Financial Accountability Act 2009*
 FPMS *Financial and Performance Management Standard 2009*
 ARRs *Annual report requirements for Queensland Government agencies*

GLOSSARY

AASB	Australian Accounting Standards Board	GRC	Gladstone Regional Council
Act	<i>Water Act 2000</i> (Qld)	GST	Goods and Services Tax
AHD	Australian Height Datum	ILUA	Indigenous Land Use Agreement
ASX	Australian Stock Exchange	IP	Information Privacy
ATO	Australian Taxation Office	KMP	Key Management Personnel
AWA	Australian Water Association	KPM	Key Performance Measure
Awoonga ROL	Awoonga Water Supply Scheme Resource Operations Licence	LFRIP	Lower Fitzroy River Infrastructure Project
Board	GAWB's Board of Directors	LNG	Liquefied Natural Gas
BQ	Building Queensland	LTI	Lost Time Injury
CAPEX	Capital expenditure	MDQ	Maximum Daily Quantity
CEO	Chief Executive Officer	Minister	Minister for Energy, Biofuels and Water Supply
CPI	Consumer Price Index	ML	Megalitres
CSS	Contingent Supply Strategy	ML p.a.	Megalitres per annum
DEWS	Department of Energy and Water Supply	QCA	Queensland Competition Authority
DMP	Drought Management Plan	QTC	Queensland Treasury Corporation
DWQMP	Drinking Water Quality Management Plan	RAB	Regulated Asset Base
EAP	Emergency Action Plan	ROA	Return on Assets
EBIT	Earnings Before Interest and Tax	RTI	Right to Information
EIS	Environmental Impact Statement	SAMP	Strategic Asset Management Plan
ERP	Enterprise Resource Planning	SWP	Strategic Water Plan
FSL	Forward Starting Loan	WACC	Weighted Average Cost of Capital
FTE	Full Time Equivalent	WSAA	Water Services Association of Australia
GAWB	Gladstone Area Water Board	WSSRA	Water Supply (Safety and Reliability) Act 2008 (Qld)
GFP	Gladstone Fitzroy Pipeline Project	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
John Orange
Cr PJ Sobhanian

Chief Executive Officer

Jim Grayson

Corporate Secretary

Robin Berthelsen

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 2017



**Gladstone Area
Water Board**