



Gladstone Area
Water Board

2016 Annual Report



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Gladstone Area Water Board
ABN 88 409 667 181
2016 Annual Report

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Chairperson's Letter



Gladstone Area Water Board

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31 August 2016

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

Dear Minister

I am pleased to present the Annual Report 2016 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 69.

Yours sincerely

Denis Cook
Chair



Chairperson's Review

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

The foundations of GAWB's operations are:

- Awoonga Dam on the Boyne River, owned and operated by GAWB along with a network of delivery pipelines, water treatment plants and other bulk water distribution infrastructure in the Gladstone region in Central Queensland
- the water allocation of 78,000 ML per annum (ML p.a.) from Awoonga Dam, granted to GAWB under the Act and in accordance with the *Water Resource (Boyne River Basin) Plan 2013* (WRP) and the *Awoonga Water Supply Scheme Resource Operating Licence* (Awoonga ROL).

In addition to normal business operations, GAWB has been involved in other significant issues during the year.

Asset Management Certification

GAWB achieved a landmark certification late in June 2016 when it became the first water service provider in Australia to achieve certification of its asset management systems to ISO55001:2014.

ISO55001:2014 is a standard that prescribes rigorous requirements for asset management systems within organisations. After an exhaustive audit, BSI certified that GAWB's asset management system complied with the requirements of this standard. The asset management system certified relates to:

- 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.

This is a significant achievement that establishes GAWB as a leader in the field of asset management.

Awoonga Dam

GAWB undertook a number of works at Awoonga Dam in 2015–16. These followed works undertaken during 2014–15 to increase the flood capacity of the dam's spillways to address Australian National Committee on Large Dams Inc (ANCOLD) design standards. Main projects in 2015–16 included erosion repairs at various locations along the water's edge at Awoonga Dam and replacement of variable speed drive pumps.

The wave action repair project remediated erosion at Riverstone, Ironbark Gully and the boat ramp at Awoonga Dam. Erosion was caused by continuing high dam levels and prevailing south easterly winds. Rectification works were required to disperse the wave action energy and support the embankments adjacent to the water's edge. These were successfully completed thereby reducing risks associated with further erosion.

GAWB also replaced one of the two variable speed drives on the main pumps providing water to the Gladstone region. The drive was approaching the end of its useful life. The remaining drive will be replaced in 2016–17. Replacement of the drives is a major milestone which further underpins the reliability of the ongoing operation of GAWB's water supply network.

Planning continued for implementation of the Offline Water Storage to be constructed at Toolooa. This project, to be implemented by 2017–18, will provide 14 days' emergency storage capacity and allow the Awoonga pump station to be taken offline for inspections and maintenance of the dam outlet works without interruption to normal water services.

Contingent Supply Strategy

Ensuring that water supply is secure and reliable is of critical importance to GAWB's customers. In recognition of this, GAWB has a Contingent Supply Strategy (CSS) that requires it to hold the capability to efficiently respond to identified 'supply failure scenarios'. These scenarios include events such as drought or additional demand growth in excess of GAWB's present water allocation.

The CSS has seen GAWB:

- conclude detailed designs for the Gladstone to Fitzroy Pipeline (GFP) as well as obtaining necessary land and associated environmental approvals

Chairperson's Review continued

- reserve an entitlement of up to 30,000 ML p.a. of high reliability water from the lower Fitzroy River under the *Fitzroy Basin Resource Operations Plan 2014* and
- as part of the Lower Fitzroy River Infrastructure Project (LFRIP), and in conjunction with its joint proponent (SunWater), finalise the Environmental Impact Statement (EIS), continue to develop responses to public submissions in relation to the EIS, and progress preparation of the business case for the construction (if and when required) of additional water storage on the lower Fitzroy River.

GAWB continues to progress activities so that it will be prepared to construct if the need for augmentation arises. At the same time, GAWB recognises the need for this to represent the most efficient response to its current and future customers' needs. Whilst GAWB's primary interest is serving its customers in the Gladstone region, it has signalled its readiness to work with other stakeholders in Central Queensland by examining opportunities for funding under the National Water Infrastructure Development Fund.

Enterprise Resource Planning

GAWB met another milestone when it implemented a new Enterprise Resource Planning (ERP) system on 1 February 2016, as scheduled. This facilitates a number of GAWB's business processes and maximises efficiencies in GAWB's daily operations. Enterprise Content Management (ECM) software was also implemented to enhance GAWB's document management capabilities. ERP and ECM products are components of the Administrative Excellence and Technology Utilisation project which GAWB continues to progress.

Operations

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

Commercial Results

At 30 June 2016, GAWB had total assets of \$672.322 million, with equity of \$355.051 million, and employed 90 people (86.10 full time equivalents (FTE)). GAWB's revenue in 2015–16 from the supply of water was \$56.841 million. Net profit after tax for the year ended 30 June 2016 totalled \$9.110 million.

Public Service Values

GAWB has adopted values based management. Its five values guide behaviour of GAWB's people and the way GAWB does business. GAWB unleashes its potential and puts ideas into action by implementing initiatives towards best practice in its field; places customers first by ensuring their long and short term water needs are met in a sustainable way; empowers its people through its capability initiatives; and acts with transparency and accountability.

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 2015–16 reporting year

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

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

Meeting water needs

During 2015–16, GAWB:

- supplied potable water throughout the year in compliance with the Australian Drinking Water Guidelines and GAWB’s Drinking Water Quality Management Plan (DWQMP)
- operated Awoonga Dam in compliance with the WRP, Boyne River Resource Operations Plan 2013 (Boyne River ROP) and Awoonga ROL
- maintained water pressure at customer supply points and repaired pipeline breaks in liaison with affected customers to minimise the impact on their operations
- finalised the revision of the Awoonga Dam Emergency Action Plan (EAP) following completion of the spillway upgrade works and changes to Dam Safety Conditions, and incorporated lessons learned during an earthquake event and two spill events during 2014–15
- refreshed the capability and procedures to respond to potential issues that may arise from flooding, both upstream and downstream from Awoonga Dam
- progressed detailed designs and planning and development approvals for an offline storage reservoir and standby pumping systems
- completed the design and procurement of the Yarwun Interconnection project, to improve water reliability for the Gladstone region
- advanced major electrical infrastructure replacement projects, and continued to develop projects to replace high risk pipeline sections.

Commercial results

During 2015–16, GAWB achieved the following commercial outcomes:

- water revenue of \$56.841 million (58,747 ML reserved by customers; 48,475 ML supplied) compared to target sales of \$54.689 million (58,067 ML reserved; 55,414 ML supplied). The fall in revenue from 2014–15 is attributable to a lower weighted average cost of capital (WACC) applied for the regulatory period commencing 2015–16.
- total expenses of \$39.701 million compared to budget expenditure of \$39.621 million
- earnings before interest and tax (EBIT) of \$21.216 million compared to target of \$17.133 million
- net profit after tax equivalents of \$9.110 million compared to budgeted profit of \$6.204 million
- return on assets (ROA) of 3.34% compared to target of 2.83%
- exceeded BBB benchmarks for interest cover ratios
- a dividend of \$7.289 million, being 80% of net profits after tax equivalents (to be paid in 2016–17 in accordance with the *Water Act 2000*).

GAWB also:

- implemented flow based pricing (based on Maximum Daily Quantities)
- completed the preparation of conformed Water Supply Contracts, incorporating the 2015 Price Monitoring Investigation outcomes, for all relevant customers.

Overview of the year continued

Corporate citizenship

During 2015–16, GAWB:

- maintained commitment to safety, with no lost time injuries (LTIs) recorded during the year (as at 30 June 2016, GAWB operated for 1,446 days without recording any LTIs)
- complied with environmental obligations and reporting requirements of the Boyne River ROP, Awoonga ROL and environmental authorities administered by the Department of Environment and Heritage Protection
- continued management of a turtle triage facility within existing hatchery operations under an agreement with Gladstone Ports Corporation Ltd
- responded to cyclone, flood and wild fire events in accordance with Emergency Action Plans
- continued to provide and manage public recreational facilities in the Boyne Valley
- sponsored the Gladstone Seafood Festival, Gladstone's 'Ecofest 2016' and supported a number of smaller events while undertaking other activities of a 'good corporate citizen' nature.

Capability

During 2015–16, GAWB:

- met target staff retention rate (80%)
- maintained staff satisfaction survey results with a result of 5.3/7
- recruited resources as required to ensure appropriate capability
- reviewed and further developed operating procedures for environment, safety, risk and work method requirements in order to maintain quality assurance, safety and environmental management accreditations within the relevant ISO or AS/NZS standards
- further improved GAWB's risk management framework and corporate risk profile by regularly reviewing risk registers and implementing mitigating actions
- adopted the Microsoft Office 365 suite of applications and migrated core office productivity solutions to the cloud
- established a managed Wide Area Network contract with a third party network specialist providing reliable, capable and secure internet communications
- implemented new Enterprise Resource Planning (ERP), Asset Management and Document Management software, with implementation of the HR module presently underway
- initiated a program of continual improvement to maximise benefits from adoption of these systems.

GAWB's actual performance in 2015–16 is set out in the headline performance measures table on the following page. This table includes comparisons against key performance measures (KPM) set out in the Performance Plan 2015–16 and against actual results for the 2015–16 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.

GAWB adopted a new headline performance measure for the delivery of capital works this year (CAPEX program spend on significant projects completed within $\pm 10\%$ of approved budget). This is part of a focussed effort to improve the planning and delivery of CAPEX. This measure will take at least one more year before there is sufficient data to provide a reliable indication of performance.

Overview of the year continued

The following table provides a snapshot of GAWB's financial position at 30 June 2016.

		2016 ¹	2015 ¹
Profit and Dividend			
Water sales revenue ²	\$ million	56.8	70.5
Total revenue	\$ million	60.9	72.4
Earnings before interest and tax	\$ million	21.2	34.3
Profit/(loss) after tax	\$ million	9.1	12.6
Dividends declared ³	\$ million	7.3	18.5
Cash Flow			
Net cash from operating activities	\$ million	22.4	31.7
Balance Sheet			
Total assets	\$ million	672.3	638.1
Total equity	\$ million	355.1	326.0
Total borrowings	\$ million	231.4	229.7

1 Includes revaluation and impairment calculations.

2 Includes transfer from unearned income provision. The fall in revenue from 2014–15 is attributable to a lower WACC applied for the regulatory period commencing 2015–16.

3 2015 includes \$10.1 million dividend for the 2014–15 year declared in May 2015 and paid in 2015–16.

Overview of the year continued

Headline performance measures

	Year ended 30 June			
	2016		2015	
	Actual	Target	Actual	Actual
Headline performance measures				
Meeting water needs				
Water demand				
Supplied volumes under legally enforceable contracts or under accepted standard terms of supply ¹	%	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 on significant projects completed within ±10% of approved budget ²				
• Cost	%	N/A ✗	>85	N/A
• Timelines	%	N/A ✗	>85	100
Commercial results				
Profitability				
EBIT	\$ million	21.216 ✓	17.133	34.251
ROA	%	3.34 ✓	2.83	5.62
Operating expenditure (less depreciation, loss on sale of assets and interest) vs budget	%	98 ✓	≤100	97.9
Corporate citizenship				
Safety				
Lost time injuries	No.	Nil ✓	≤2	Nil
Environmental responsibility				
Compliance with environmental legislation and standards – breach notices received	No.	Nil ✓	Nil	Nil
Capability				
Percentage of headline performance measures achieved	%	89 ✗	100	89

1 New headline performance measure for 2015–16.

2 New headline performance measure for 2015–16. No significant projects completed in 2015–16, therefore unable to measure Cost and Timelines. For the significant project completed in 2014–15, it was completed within business case timelines, however it was under budget by 12%.

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 2015–16. Mr Cook has post graduate qualifications in engineering and public administration and over 40 years' experience in the planning and delivery of infrastructure in Queensland. He worked in the Office of the Coordinator-General from 1982 to 2005 and was commissioned as Deputy Coordinator-General in 1999. He joined Parsons Brinckerhoff Australia in 2006 and retired from the position of Regional Director, Queensland in 2013.

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

Appointed a Director on 27 June 2014 until 27 June 2017, Ms Brown is a successful Central Queensland business owner. She has a background in agriculture, heavy industry and consulting, with over 25 years' experience as an environmental practitioner, including as the project manager for GAWB's raising of Awoonga Dam EIS in the late 1990s. Ms Brown established CQG Consulting (CQ Environmental Pty Ltd) over 11 years ago and has grown the business into one of regional Queensland's largest environmental, engineering and planning consulting businesses. She has held board positions with the Emerald Agricultural College, Sugar Research and Development Corporation, Rockhampton Regional Development Ltd and Capricorn Enterprise and has an active role as a speaker at national and international environmental conferences.

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

Appointed to the Board on 4 August 2011, Mr Leinster was reappointed on 27 June 2014 until 27 June 2017. He was a member of the Audit Committee* throughout 2015–16. A Mechanical Engineer with a background in electrical power generation, Mr Leinster served in that industry for over 35 years. His experience covers the design, construction, commissioning, operation and maintenance of heavy equipment and complex systems. Mr Leinster has been a Chartered Member of the Institution of Engineers for most of his career, and has contributed to running that body's activities in the Gladstone region as a member of the Executive Committee and various organising committees. He continues to be involved in activities to interest school students in science and mathematics and career paths in engineering. He has a long history with Central Queensland University as a course developer and external lecturer.

Graham E. McDonald, of Gladstone

Appointed a Director on 27 June 2014 until 30 September 2015, Mr 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. Mr 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.

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

*The Audit Committee was reconstituted from the former Audit and Risk Management Committee in April 2015.

Directors continued

The number of meetings of the Board and its standing committees attended by each Director during the 2015–16 financial year is set out below.

Director	Board Meetings		Audit Committee Meetings ¹	
	Attended	Held ²	Attended	Held ²
Mr D.J. Cook	14	15	5	6
Ms P.A. Brown	13	15	–	–
Mr M. Leinster	15	15	6	6
Mr G.E. McDonald	13	15	1	1
Mr J.W. Orange	14	15	6	6

¹ The Audit Committee was reconstituted from the former Audit and Risk Management Committee in April 2015.

² Reflects the number of meetings held during the time the Director held office/was a member of the Committee during the year.

Review

Meeting water needs

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

Water planning

Maintaining supply for existing demand and meeting additional demand as it emerges are vital GAWB functions. 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 80% of the total water supplied. They rely upon an uninterrupted water supply. 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, apportion cost and provide the optimum outcome for its customers.

The remaining 20% of total water supplied by GAWB is potable water supplied to 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 continuing 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 that the water service it provides optimises value to all customers (present and future) and thereby to the Gladstone region.

The SWP also recognised the need for a CSS. This is being implemented through an ongoing program of works. The SWP also recognises other potential options for future supply security, such as a Gladstone-Fitzroy Pipeline (GFP) and the LFRIP.

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 GFP, preparatory works for the LFRIP, and monitoring opportunities for other solutions such as desalination and demand management.

The preparatory activities for the GFP and LFRIP ensure that GAWB will be able to access, when required, its entitlement to 30,000 ML p.a. of high reliability water from the lower Fitzroy River reserved under the Fitzroy Basin Resource Operations Plan 2014. The work program for the GFP preparatory works is reviewed and revised annually to ensure that tasks undertaken are only those that are necessary to maintain the required state of preparedness and retain value in the work. The work program for the LFRIP continued during 2015-16 following the finalisation of the draft EIS. GAWB has continued to work through issues raised in the additional information to the draft EIS (aEIS), formerly known as the supplementary report to the EIS. GAWB has also started to prepare a business case, in conjunction with SunWater and led by Building Queensland, to implement the LFRIP during 2014-15.

Review continued

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

Water availability

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

During 2015–16, GAWB progressed a proposed project to upgrade its offline water storage capacity. The project involves construction of a 1,200 ML offline storage and standby pumping system in a small valley next to the existing Toolooa 50 ML reservoir. Tenders have been issued and the contract award date is estimated at mid-2016. This facility will provide redundancy for outlet and pipeline components from Awoonga Dam, including Awoonga Dam pump station and the Awoonga to Gladstone pipeline.



Figure 1: Location of proposed offline storage

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 disruption to service 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.

An average 785 mm of rain was recorded at monitoring stations in the Boyne River catchment above Lake Awoonga over the year to 30 June 2016 (2014–15: 1,127 mm). This was slightly less than the mean annual rainfall (approximately 850 mm). Inflows into Lake Awoonga in the period were approximately 140,000 ML (2014–15: 420,000 ML), compared to a mean annual inflow of 376,541.94 ML (calculated since 2002). This year's inflow includes peak daily inflows of approximately 35,000 ML on 5 February 2016. 29,159 ML were released from Lake Awoonga for environmental purposes during 2015–16, and 12,780 ML were pumped from the lake for sale to GAWB's customers.

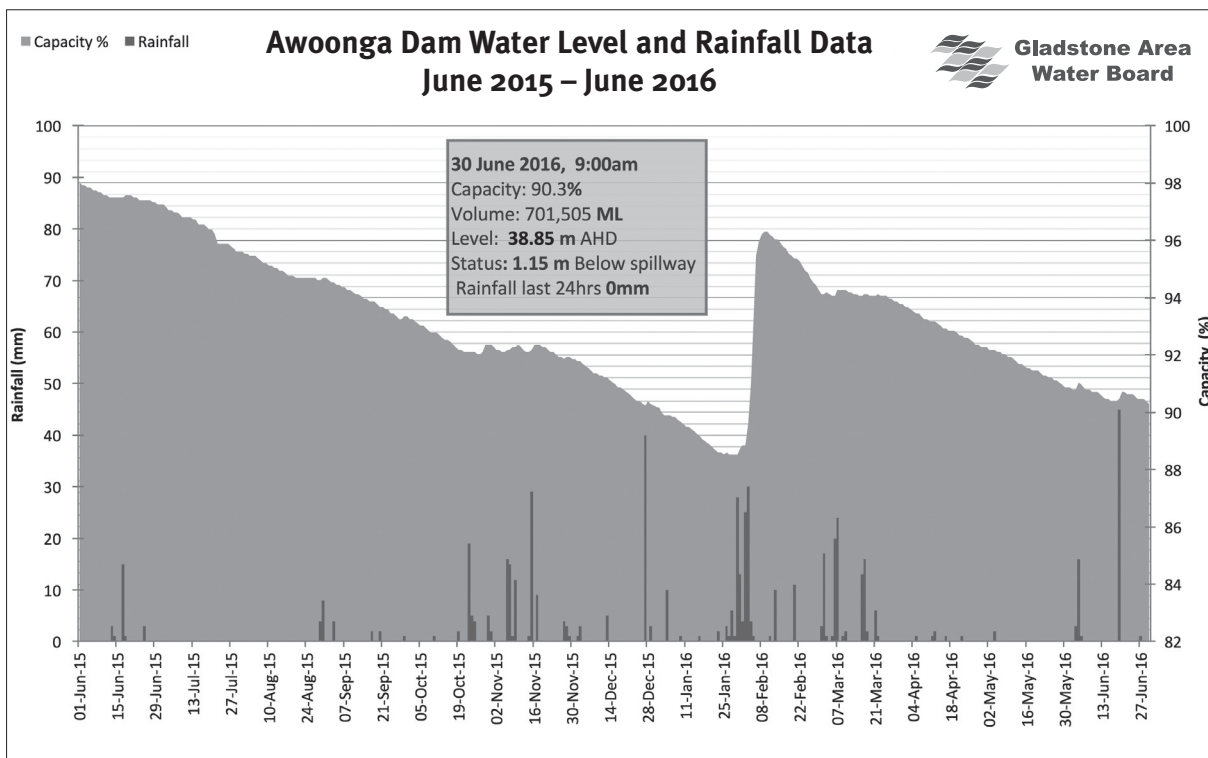


Figure 2: Awoonga Dam Level and Rainfall Data – June 2015 to June 2016

Awoonga Dam was nearly at full capacity throughout the reporting year, falling from 39.68 m (97.24% of capacity) on 1 July 2015 to a water level of 38.85 m AHD on 30 June 2016. This corresponds to a storage volume of 701,505 ML or 90.3% of full supply level (40.0 m) capacity. The lowest level during the reporting period was 38.63 m (88.52% of capacity).

Historical storage levels

Storage Levels	Date	Level (M AHD)	Volume (ML)	Capacity (%)	Surface Area (ha)
Storage at end of reporting period	30 June 2016	38.85	701,505	90.3	6,329
Level one year ago	30 June 2015	39.68	755,379	97.24	6,653
Level two years ago	30 June 2014	39.53	745,441	95.96	6,594
Level three years ago	30 June 2013	39.90	770,113	99.13	6,740
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	1 July 2015	39.68	755,379	97.24	6,653
Highest level	27 January 2013	48.30	1,498,586	192.90	10,810

Review continued

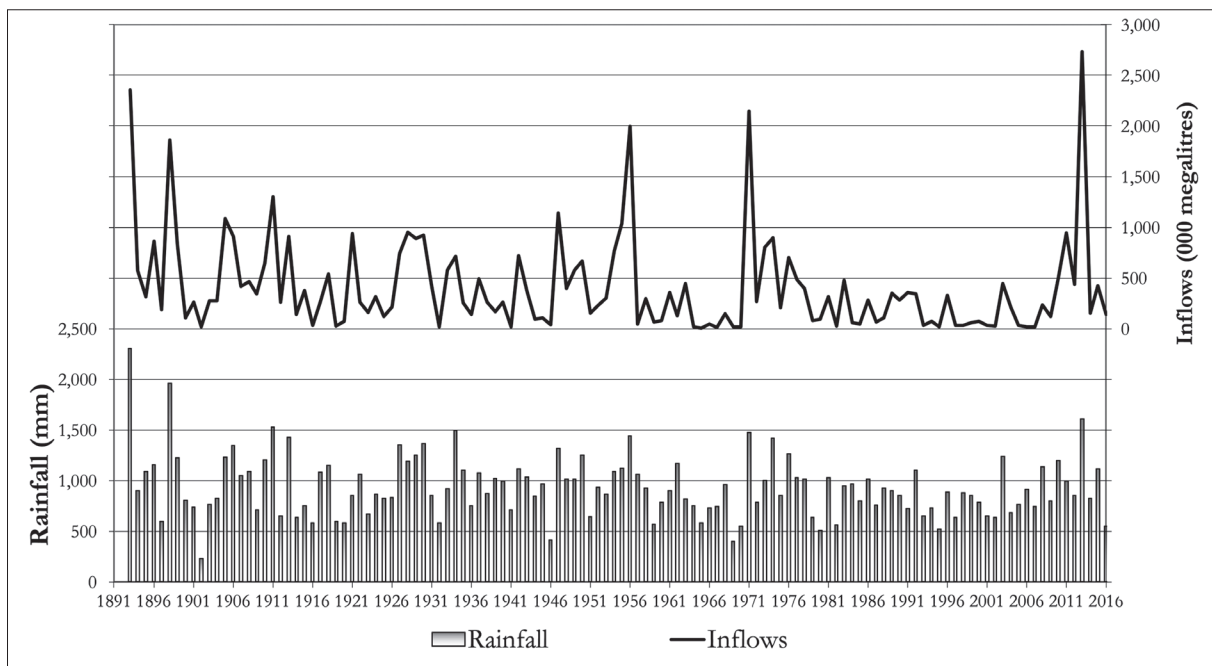


Figure 3: Rainfall and Inflow Data 1893 to 2016

The period for which the full dam will be able to supply current and projected demands is dependent on future inflows and actual demand. However, using assumed future inflows consistent with actual inflows during the worst three years in recorded history (2004–2007 – Figure 3) (as required by risk management under GAWB’s Drought Management Plan (DMP)) and current known demand, GAWB would not be required to impose restrictions on its supply of water from Lake Awoonga within at least the next three years.

Water quality

GAWB monitors water quality for a number of different purposes, including environmentally relevant activities, the Awoonga ROL and the requirements of its DWQMP.

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

GAWB has a comprehensive monitoring program for water quality from the source water, Lake Awoonga, through to the customer delivery point. Drinking water quality remained compliant with Australian Drinking Water Guidelines and met or exceeded the standards required by GAWB’s DWQMP throughout the reporting year.

Operations and asset management

GAWB achieved a landmark certification on 13 June 2016 when it became the first water body in Australia to achieve certification of its Asset Management Systems to ISO550001:2014.

ISO550001:2014 is a standard that prescribes rigorous requirements for asset management systems within organisations. After an exhaustive audit, BSI, the world’s first National Standards Body, certified that GAWB’s asset management system complied with the requirements of this standard. The Asset Management System certified relates to:

- 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.

This is a significant achievement that establishes GAWB as a leader in the field of Asset Management. GAWB operates and maintains its bulk raw water and potable water supply networks predominately with its own internal resources.

Review continued

There was no discharge over the spillway in 2015–2016. Consequently, GAWB had no occasion to activate its Awoonga Dam Emergency Action Plan this year.

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 are met. It also maintains a network model which assists in planning shutdowns and upgrades.

Network upgrades currently in progress follow the replacement of valves and associated actuation equipment at Awoonga Dam pump station, completed during 2014–15. Upgrade works currently in progress include:

- construction of the Yarwun Treated Water Interconnection to allow treated water from Gladstone Water Treatment Plant to supplement that from Yarwun Water Treatment Plant (to 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 (procurement of the drives and associated switchboards and transformers was completed, and the first of two replacement drives was installed in May and commissioned in June 2016)
- process optimisation and common upgrades at the Gladstone Water Treatment Plant (Gladstone WTP) to ensure water quality is maintained when the plant is operating at maximum capacity and during periods of unfavourable raw water quality
- replacement of the high voltage electrical switchboard and pump station reconfiguration at the Gladstone WTP
- pipeline replacements targeting high risk sections based on failure history, age, installed environment, operating pressure and failure consequence (two out of three packages of work have been completed, with the third in progress) and
- structural refurbishment of East End Reservoir and South Trees Inlet Pipe Bridge.

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 2015–16, tenure management activities focussed on:

- the disposal of 776 hectares of surplus land in the Boyne Valley and
- fulfilment of obligations under the *Aboriginal Cultural Heritage Act 2003* and *Native Title Act 1993*.

Agistment management

GAWB enters into agistment agreements to allow grazing on land controlled by GAWB, to manage fire risk and vegetation generally.

During 2015–16, GAWB worked closely with agistees and neighbouring landholders to apply best practice land management principles. Regular inspections were undertaken to ensure that these principles were adhered to, in particular watering points and weed control.

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 Boyne Calliope Catchment Management Group which promotes landholder activities that maintain and improve water quality, riparian fencing and off-stream watering points for cattle. GAWB also actively monitors development activities both above and immediately below Lake Awoonga, and makes submissions and representations directed to ensuring that such activities are suitably conditioned to minimise risks to receiving watercourses within the catchment and risks to life and property in the lower Boyne River Valley.

Review continued

Weed and pest animal management

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

- the Capricorn Pest Management Group
- Capricornia Catchments Steering Committee and
- Boyne Valley Catchment 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. Several GAWB officers are active fire fighters or support members of the Lake Awoonga Rural Fire Brigade. GAWB implements a prescribed burning regime as part of a scheduled approach to fuel load reduction.

A wildfire burned through the Boyne Valley during October 2015. Under the direction of the Queensland Rural Fire Service, GAWB officers formed part of the response as part of the Lake Awoonga Rural Fire Brigade. There was no impact on, or risk to, water quality from this event.

Cultural heritage management

GAWB undertook minor work at its heritage-listed Glengarry Homestead during the year. It undertook these works pursuant to a General Exemption Permit from the Department of Environment and Heritage Protection. GAWB has applied for a full exemption certification to allow it to undertake additional works in order to better maintain the homestead.

Fishery management

GAWB has an environmental obligation, associated with the 2002 raising of Awoonga Dam to 40.0 m, to stock fish in the dam. 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. Some commercial sales are also undertaken to help offset operating costs. GAWB acknowledges the ongoing support from Gladstone Ports Corporation Ltd which provides the facilities at Lord Street at no cost to GAWB.

During the year, 280,000 barramundi fingerlings were released into Lake Awoonga. Capture of barramundi by local and visiting recreational fishermen at the dam is increasing in frequency, steadily re-establishing Lake Awoonga as a premier impoundment fishery.

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 2015–16 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 2015–16, six turtles were admitted. Five were released and one remained in care at 30 June 2016. In addition, one dolphin was admitted and later transferred to Sea World for further specialised care.

GAWB is working towards moving the hatchery to a new location in 2017.

Recreation and other facilities

GAWB provides recreational facilities free of charge 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. The level of expenditure associated with the provision of recreational facilities remains in line with GAWB's regulatory framework.

Review continued

Commercial results

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

Financial

GAWB earned a net profit after tax equivalents of \$9.110 million for the year ended 30 June 2016 (2014–15: \$12.567 million).

Full year water revenue totalled \$56.841 million (58,747 ML reserved; 48,472 ML supplied) (2014–15: \$70.528 million (64,318 ML reserved; 45,906 ML supplied)) compared to the target for the year of \$54.689 million (58,067 ML reserved; 55,414 ML supplied). The fall in revenue from 2014–15 is attributable to a lower WACC applied for the regulatory period commencing 2015–16.

Net cash generated by operating activities totalled \$22.432 million (2014–15: \$31.705 million). GAWB held cash and cash equivalents of \$27.156 million at 30 June 2016 (\$28.485 million at 30 June 2015).

Capital expenditure for the year totalled \$20.313 million (2014–15: \$19.221 million).

Total equity has increased to \$355.051 million at 30 June 2016 (\$326.028 million at 30 June 2015). There were no additional borrowings drawn down during the year and repayments amounted to \$7.679 million. GAWB's debt/equity ratio was 39% at 30 June 2016.

Pricing and contractual framework

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

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 because it provides customers with appropriate price signals in relation to their consumption of water.

The recovery of efficient expenditure through 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. A significant reduction in GAWB's WACC will result in a reduction in revenue and profitability over the 2015–16 to 2019–20 regulatory period.

Corporate citizenship

Goal: To be regarded as a responsible corporate citizen

Safety

GAWB recorded zero LTIs in 2015–16; and as at 30 June 2016, GAWB had operated for 1,446 days without recording LTIs. GAWB is focussed on the continuous improvement of its safety and assurance systems and on achieving its goal of no LTIs by actively encouraging the reporting of all potential hazards and near misses through proactive safety interactions. Investigations are completed for all incidents, and improvements that are recommended by investigations are implemented.

Review continued

Environmental responsibility

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

GAWB maintained its membership of the Gladstone Healthy Harbour Partnership, local pest management groups, and its involvement in the Fitzroy Basin Association.

Community relations

GAWB received one community complaint during the year concerning water colour. However the complaint was not substantiated, as test results showed that water quality was within target parameters.

The table below summarises GAWB's 2015–16 financial year expenditure on sponsorship of community activities and publications in the Gladstone region.

	\$
Community event sponsorships	11,950
Gladstone Healthy Harbour Partnership subscription	10,000
Sponsored advertisements in community publications with a focus on water saving / safety / emergency management	5,152
Total	\$27,102

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

Capability

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

People and culture

Of GAWB's permanent staff at 1 July 2015, 82.43% remained in employment with GAWB at 30 June 2016. GAWB was able to replace staff for the positions vacated during the year or reshape existing roles to meet the requirements of the business.

GAWB completed an internal staff satisfaction survey during the year, and the result showed a satisfaction rating of 5.3/7 compared to a target of 5.1/7 (2014–15: 5.1/7). The modest improvement over last year's result is pleasing.

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 considered in accordance 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 or personal biases or favouritism. GAWB has a comprehensive online process for training and re-training employees depending upon the training topic.

Review continued

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 2016, GAWB employed a total of 90 employees (86.10 FTE), an increase from 83 (78.30 FTE) at 30 June 2015. GAWB's permanent separation rate (being the number of employees who separated from GAWB divided by the number of permanent employees in GAWB during 2015–16) is 15%.

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 well-being. 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. Activities sponsored to promote physical fitness include yoga and tai chi.

Systems and knowledge

GAWB has focussed on the development of its internal systems and knowledge within the organisation in order to improve its capability to carry out its day to day functions. GAWB maintains accreditation of its Quality Management System (ISO 9001:2000). Its Asset Management System was certified to ISO 55001:2014 in June 2016, making it the first water service provider in Australia to obtain this certification.

Following the May 2014 amendment of the WSSRA, GAWB reviewed its DMP and Strategic Asset Management Plan (SAMP) documentation, and finalised the update of the DMP in November 2015. SAMP guidance has been incorporated into GAWB's management system documentation (as outlined in GAWB's Asset Management Strategy) following removal of SAMP regulation under the WSSRA and the certification (ISO 55001:2014) of GAWB's asset management system. Specifically, SAMP information is now contained within GAWB's Performance Plan, Corporate Plan and QCA 2015 Price Monitoring Investigation final report documentation. GAWB's Asset Management System will be used to capture and store all information relevant to the efficient acquisition, operation, maintenance and disposal of assets.

Information and communication technologies

GAWB successfully rolled out a number of enabling technologies such as Enterprise Resource Planning and Office 365 as part of its Administrative Excellence and Technology Utilisation project. GAWB is now focussed on capturing the operational efficiencies that can be gained using their systems.

GAWB also released customer-centric information to its major customers through a customer portal within its website.

Risk management

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

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

Directions, notices and other statutory requirements

During the year ended 30 June 2016, GAWB did not receive any directions or community service obligation notices.

Goals for 2016–17

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 focussed on achieving the best possible balance of outcomes against these four business goals, namely:

Meeting water needs

– to understand, facilitate and satisfy the water requirements of current and future customers.

Commercial results

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

Corporate responsibility

– to be regarded as a responsible corporate citizen.

Capability

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

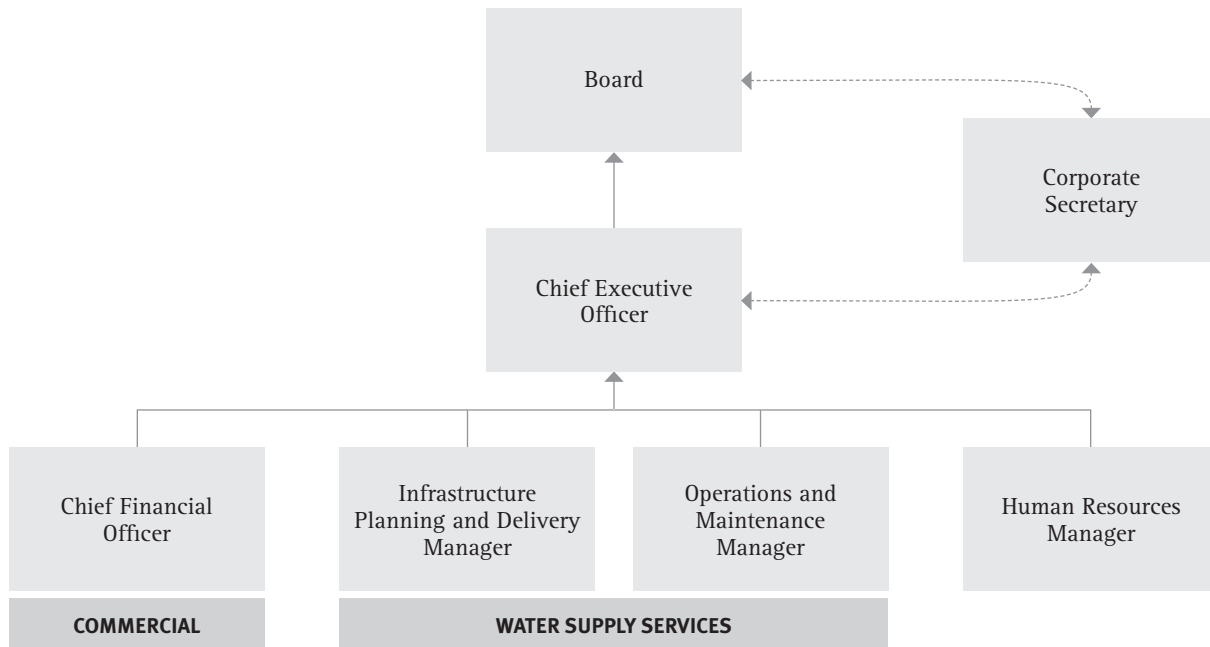
Each of the four business goals is supported by a number of KPMS, business improvement projects and initiatives that are set out in GAWB's 2016–17 Performance Plan.

The table below identifies GAWB's key business improvement processes and initiatives for 2016–17. Progress against each of these projects will be included in GAWB's quarterly reports to the Minister and will reference the milestones articulated in the respective project plans/business cases.

Project	Description
Corporate Governance	GAWB will continue its comprehensive review of its policy framework with a view to improving the efficiency of Board and management oversight.
Customer and Community Engagement	GAWB will initiate a deliberate customer and community engagement program to improve the corporate profile and general understanding and awareness of its value proposition to its business stakeholders and the community. The aim is to further develop relationships with customers to build mutual understanding of customer needs and critical risks.
Administrative Excellence and Technology Utilisation	With major recent implementations of ERP and MS Office technologies, GAWB is now positioned to extract greater value from these solutions, with improvements to continual improvement practices, change control, and service management.
Capability	GAWB will continue to develop its people resource and refine its organisational culture, to assist GAWB to meet desired outcomes in an environment where there could be an ageing workforce and competition for skilled resources.
Asset Management System	GAWB will maintain its focus on the management of its assets and operate in accordance with the certification of its Asset Management System, granted on 13 June 2016 pursuant to ISO 55001:2014.
Land Rationalisation Program	GAWB will progress the identification, acquisition and disposal of land required for the Lake Awoonga land rationalisation program.
Communications	GAWB will continue to improve communications within its business and with external stakeholders, leveraging appropriate enabling technologies.

Governance

Organisational structure



Executive Management

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

Jim has been the Chief Executive Officer of GAWB since early 2006, having commenced employment with GAWB in 2003. Prior to joining GAWB, he worked as a solicitor in private legal practice and with the Australian Securities and Investments Commission. Jim has served on the Board of the Gladstone Economic Industry Development Board (2006 to 2012); as Chair of the AWA Water Management Law and Policy Specialist Network committee (2012 to 2014); as a director of Water Services Association of Australia (WSAA) (the peak body for the Australian urban water industry (2012 to 2015)); as a member of the advisory Board of the University of Central Queensland's Centre for Environmental Management (2008 to 2012); and as a member of the advisory panel for the Gas Industry Social and Environmental Research Alliance (2012 to 2015). He is presently the Chair of the WSAA Healthy Liveable Communities committee and a member of the WSAA Strategic Priorities Committee.

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, Planning/Regulatory, Legal, Procurement and Information Technology departments.

Governance continued

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

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

John Tumbers GradDipMainMgt
Operations and Maintenance Manager

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

Jodi Buckle BA, LLB, LLM, GradDipLegalPractice
Corporate Secretary

Jodi was appointed to the position of Corporate Secretary in April 2016, having previously served in a variety of legal and commercial roles in the oil and gas sector, including Origin, QGC and Amec Foster Wheeler. Jodi also has commercial and contract management experience gained through work on major infrastructure projects in Central Queensland and elsewhere. In this role, Jodi provides support to the Board of Directors while also providing leadership in the area of corporate governance across GAWB.

Governance – Board and Committees

Board of Directors and its Committees

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

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

Initiatives commenced in the 2015–16 year included an independent review of GAWB's Governance Charter and Internal Audit Charter to ensure continued alignment with best practice and legal obligations.

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 2015–16 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 now undertaken by the Board.

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

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

Composition of the Board

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

In the interim, and as permitted by the Act, the Director has continued as a Director until the new, Council-nominated, Director is appointed.

Conflicts of interest

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

Board processes

The Board of Directors of GAWB meets on a monthly basis and more regularly as circumstances require. During 2015–16, the Board met on 15 occasions.

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

Governance – Board and Committees continued

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 Queensland Treasury's *Audit Committee Guidelines – Improving Accountability and Performance (2012)*. 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 committee is investigating options for best practice self-assessment.

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

During 2015–16, 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 six 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 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 which are not directly related to the Audit Committee Charter.

Governance – Human resources

Remuneration

The GAWB Remuneration Policy has the following aims:

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

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

Benchmarking employment cost rates is both necessary and appropriate for employment positions. GAWB's remuneration position is aligned with the median market rates and in accordance with advice from employment consultants. This positioning is within the parameters of government policy and is considered appropriate for 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 senior employees who report directly to the CEO and the remuneration of such employees annually and oversees the process for the annual review of 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 to the previous financial year are proposed and recommended to the Board by the CEO. Such performance payments are made subsequent to Board approval.

GAWB has a capability framework and plan which identifies core and key competencies necessary for the delivery of its objectives. This capability framework assists in managing employees' professional and operational training/development programs to ensure that they have, or can obtain, the core/key or enabling competencies considered necessary to achieve the goals and objectives identified in GAWB's Performance Plans.

Details of key management personnel compensation and senior executives' remuneration are disclosed at Note 20 to the Financial Statements.

Governance – Reporting

The Board of Directors aims to ensure that the Minister for Energy, Biofuels and Water Supply is informed of all major developments affecting GAWB's state of affairs. GAWB communicates information to the Minister via the following mechanisms:

- A draft Corporate Plan, covering the next five financial years, is provided to the Minister at least two months prior to the end of each financial year. Each Corporate Plan includes the information required by the Act.
- A more detailed Performance Plan, covering the next financial year, is also provided to the Minister at least two months prior to the end of each financial year. Each Performance Plan includes targets for a number of KPMs relevant to GAWB's forecast operations for the next financial year and other information required by the Act.
- Quarterly Reports to the Minister are provided within one month from the end of each quarter. Each Quarterly Report includes relevant information about GAWB's operations during the quarter, changes in GAWB's state of affairs, comparisons with targets for KPMs set out in the Performance Plan and details of future developments.
- The Annual Report is provided to the Minister who then tables it in Parliament by 30 September. The Annual Report includes relevant information about GAWB's operations during the year, changes in GAWB's state of affairs, comparisons with forecasts set out in the Performance Plan and details of future developments in addition to the other disclosures required by the *Water Act 2000*, *Financial Accountability Act 2009* and *Financial and Performance Management Standard 2009*.

Governance – Other significant issues

Consultancies

No consultants provided services to GAWB during 2015–16.

Overseas travel

On 1 July 2015, the Minister approved Mr Bruce Van Blerk's travel to Pennsylvania USA, from 30 August to 7 September 2015, to witness factory acceptance testing of variable speed drives. These drives were a major component of GAWB's project to replace existing variable speed drives at Awoonga Dam. These drives were manufactured at the supplier's factory in Pennsylvania and it was important to witness acceptance testing at that facility.

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 2015. 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 2015–16.

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 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

	2012	2013	2014	2015	2016
<i>(megalitres)</i>					
Water sales (volumetric):					
Raw water	30,994	36,245	34,315	33,973	35,630
Potable water	11,150	11,440	12,506	11,933	11,677
Total	42,144	47,685	46,821	45,906	47,307
<i>(thousands of dollars)</i>					
Water sales revenue ¹	50,946	54,212	67,382	70,528	56,841
Total revenue	58,968	57,756	69,595	72,358	60,917
Depreciation and amortisation	(10,565)	(13,623)	(15,162)	(15,996)	(17,578)
Earnings before interest and tax	27,270	23,280	31,415	34,251	21,216
Profit / (loss) before tax	17,235	12,003	15,025	17,930	13,082
Income tax (expense) / benefit	(5,171)	(3,658)	(4,467)	(5,363)	(3,972)
Profit / (loss) after tax	12,064	8,345	10,558	12,567	9,110
Dividends declared	(2,344)	(2,413)	(3,338)	(18,500) ²	(7,289)
Total equity	262,193	273,725	291,241	326,028	355,051
Total assets	534,442	555,835	580,481	638,071	672,322
Borrowings	206,830	211,773	234,015	229,725	231,395
Cash from operations before tax	27,636	28,828	26,296	35,381	30,188
Income tax (paid) / refunded	(2,786)	(8,004)	(4,882)	(3,676)	(7,756)
Cash from operations after tax	24,850	20,824	21,414	31,705	22,432
Cash for capital expenditure	51,113	55,477	23,422	18,802 ³	15,586 ³
<i>(Percent)</i>					
Return on assets	5.51	4.27	5.49	5.62	3.34
Return on equity	4.73	3.11	3.74	4.07	2.68
Debt/equity ratio	44	44	45	41	40
<i>(times)</i>					
Cash flow interest cover ratio	3.29	3.33	2.61	2.81	4.17

1 Including connection charges.

2 Includes a dividend of \$8,446,000, based on 2013–14 profits, along with a dividend of \$10,054,000 based on 2014–15 profits.

3 Includes expenditure on intangible assets and excludes capitalised interest.

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Statement of comprehensive income

for the year ended 30 June 2016

	Notes	2016 \$000	2015 \$000
Revenue			
Water supply		56,242	58,653
Curtis Island infrastructure and operating charges		599	11,875
Total water revenue		56,841	70,528
Grants and other contributions		1,248	1,332
Other income		2,828	498
Total revenue		60,917	72,358
Expenditure			
Chemicals		(665)	(632)
Contracted, professional, technical and other services		(2,361)	(2,730)
Electricity		(2,032)	(2,212)
Insurance		(788)	(718)
Labour and on costs	6	(9,896)	(8,879)
Maintenance		(1,744)	(2,429)
Motor vehicle expenses		(703)	(711)
Depreciation	4	(14,586)	(13,028)
Amortisation	5	(2,992)	(2,968)
Other expenses		(3,934)	(3,800)
Total expenditure		(39,701)	(38,107)
Results from operating activities		21,216	34,251
Finance income and costs			
Finance income		696	798
Finance costs		(8,830)	(17,119)
Net Finance costs		(8,134)	(16,321)
Profit/(loss) before income tax equivalents		13,082	17,930
Income tax equivalents (expense)/benefit	8	(3,972)	(5,363)
Profit/(loss) for the year		9,110	12,567
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Increase in asset revaluation surplus	9	38,860	57,966
Deferred tax on revaluations	9	(11,658)	(17,246)
<i>Total that will not be reclassified subsequently to profit or loss</i>		27,202	40,720
Total other comprehensive income, net of tax		27,202	40,720
Total comprehensive income for the year		36,312	53,287

The notes on pages 36 to 64 are an integral part of these financial statements

Statement of changes in equity

for the year ended 30 June 2016

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

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

The notes on pages 36 to 64 are an integral part of these financial statements

Statement of financial position

for the year ended 30 June 2016

	Notes	2016 \$000	2015 \$000
Current assets			
Cash and cash equivalents	10(a)	27,156	28,485
Trade and other receivables	11	8,257	13,630
Inventory		754	810
Total current assets		36,167	42,925
Non-current assets			
Property, plant and equipment	4	617,157	576,332
Intangible assets	5	18,959	18,783
Biological assets		39	31
Total non-current assets		636,155	595,146
Total assets		672,322	638,071
Current liabilities			
Trade and other payables	12	4,225	4,961
Employee benefits	14	1,660	1,267
Provisions	15	7,417	10,212
Revenue received in advance		1,243	1,226
Current tax liabilities		1,094	3,441
Total current liabilities		15,639	21,107
Non-current liabilities			
Loans and borrowings	13	231,395	229,725
Employee benefits	14	329	332
Revenue received in advance		4,074	5,266
Deferred tax liabilities	16	65,708	55,487
Provisions	15	126	126
Other non-current liabilities		1	1
Total non-current liabilities		301,632	290,936
Total liabilities		317,271	312,043
Net assets		355,051	326,028
Equity			
Issued capital	9	64,647	64,647
Asset revaluation surplus	9	256,183	229,557
Retained earnings	9	34,221	31,824
Total equity		355,051	326,028

The notes on pages 36 to 64 are an integral part of these financial statements

Statement of cash flows

for the year ended 30 June 2016

	Notes	2016 \$000	2015 \$000
Cash flows from operating activities			
Receipts from customers		59,730	70,807
Interest received		696	798
Payments to employees		(9,544)	(8,819)
Payments to suppliers and services		(12,926)	(10,785)
Borrowing costs paid		(7,679)	(16,715)
		30,277	35,286
GST paid to suppliers		(2,647)	(3,158)
GST input tax credits from ATO		2,681	3,214
GST collected from customers		164	1,427
GST remitted to ATO		(287)	(1,388)
Total GST		(88)	95
Income taxes (paid)/refunded		(7,756)	(3,676)
Net cash from operating activities		22,432	31,705
Cash flows from investing activities			
Acquisition of property, plant & equipment		(13,135)	(15,805)
Acquisition of intangible assets		(2,451)	(2,997)
Proceeds from sale of property, plant & equipment		1,182	165
Costs on disposal of property, plant & equipment		(104)	(272)
Security deposits received		749	–
Security deposits paid/applied		–	(464)
Curtis Island advances on account		53	(119)
Net cash used in investing activities		(13,706)	(19,492)
Cash flows from financing activities			
Dividends paid		(10,055)	(8,446)
Proceeds from borrowings		–	3,500
Repayment of borrowings		–	(7,812)
Net cash from financing activities		(10,055)	(12,758)
Net increase/(decrease) in cash and cash equivalents		(1,329)	(545)
Cash and cash equivalents at 1 July		28,485	29,030
Cash and cash equivalents at 30 June	10(a)	27,156	28,485

The notes on pages 36 to 64 are an integral part of these financial statements

Notes to the financial statements

for the year ended 30 June 2016

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 25 August 2016.

(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), 3(a) and 4.

(c) Functional and presentation currency and rounding

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

Amounts of less than \$500 included in the financial statements are rounded to zero 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.

Notes to the financial statements

for the year ended 30 June 2016

2. Basis of preparation (continued)

(e) Fair value measurement

Fair value measurement is applied to GAWB's financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

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

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

(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 2016

3. Significant accounting policies

(a) Property, plant and equipment

(i) Recognition and measurement

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

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

In accordance with the requirements of AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*, land, buildings and improvements and infrastructure assets are measured at fair value less any subsequent accumulated depreciation and subsequent impairment loss where applicable. Minor plant and equipment and motor vehicles are measured at cost.

(ii) Revaluations

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

A comprehensive valuation is conducted annually. In 2016, 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 requires prospective application of the net method on revaluation when the income based valuation approach is applied. For 30 June 2016 disclosures, depreciation and impairment losses have been netted off against the gross amount of revalued assets in line with this requirement.

Revaluation increments and decrements are accounted for by asset in the following manner:

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

Notes to the financial statements

for the year ended 30 June 2016

3. Significant accounting policies (continued)

(a) Property, plant and equipment (continued)

(iii) Subsequent costs

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

(iv) Depreciation and impairment

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

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

	2016	2015
Buildings and improvements	8–60 years	8–60 years
Infrastructure assets:		
Dam structure	40–150 years	40–150 years
Pump stations, reservoirs, pipelines and related plant	10–50 years	10–50 years
Minor plant and equipment	3–20 years	3–20 years
Motor vehicles	4 years	4 years

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

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

(v) Derecognition

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

Notes to the financial statements

for the year ended 30 June 2016

3. Significant accounting policies (continued)

(b) Intangible assets

(i) Research and development

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortisation and impairment

Capitalised development expenditure has currently been determined to have remaining expected useful lives of 1 to 9 years. The intangible asset is amortised once it is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

GAWB received the required environmental approvals for the Gladstone-Fitzroy Pipeline in 2011/12. On this basis, GAWB commenced recognising amortisation of this intangible asset as the asset is capable of operating in the manner intended by management. At 30 June 2016, the Lower Fitzroy River Infrastructure Project has not yet received State and Commonwealth environmental approvals with the Environmental Impact Statement finalised for review by the Office of the Coordinator-General. On this basis, this intangible asset is considered not yet capable of operating in the manner intended by management and therefore continues to not be amortised.

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

(c) Leases

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

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

Notes to the financial statements

for the year ended 30 June 2016

3. Significant accounting policies (continued)

(d) Impairment

(i) Financial assets

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

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

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

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

(ii) Non-financial assets

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

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

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

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

Notes to the financial statements

for the year ended 30 June 2016

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 work completed at balance date.

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

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

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

(ii) Services

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

Notes to the financial statements

for the year ended 30 June 2016

3. Significant accounting policies (continued)

(g) Finance income and costs

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

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

(h) Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside the profit and loss when the tax relates to items that are recognised outside the profit and loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or 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 by the company 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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised 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.

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. 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.

(i) Goods and services tax

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

Notes to the financial statements

for the year ended 30 June 2016

3. Significant accounting policies (continued)

(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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) 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 2013-9 *PART C Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* amends AASB 9 *Financial Instruments* permitting the application of requirements relating to ‘own credit risk’ of financial liabilities measured at fair value without applying the other requirements of AASB 9.
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations. This allows the withdrawal of AASB 1031 with materiality guidance now located within the *Framework for the Preparation and Presentation of Financial Statements*, AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(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 2017 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 amend the classification, recognition, derecognition and measurement of financial assets and liabilities. AASB 2014-7 amended the effective date from 1 January 2017 to 1 January 2018. An assessment of the likely impact of this standard will be made in the financial statements for 30 June 2017. The change is not expected to have a material impact.
- AASB 15 *Revenue from Contracts with Customers* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* and ASB 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 2017/18 financial report. AASB 15 provides a comprehensive framework for revenue recognition. The change is not expected to have a material impact.
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* is effective from the 2016/17 financial report. It amends several standards including AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (to include ‘assets held for distribution to owners’ as a disposal category), AASB 7 *Financial Instruments: Disclosures* (to provide guidance on the disclosure of servicing contracts on transferred financial assets) and AASB 119 *Employee Benefits* (to provide guidance on the discount rate for post-employment benefit obligations in regional markets with currencies where there is no deep market in high quality corporate bonds). The change is not expected to have a material impact.
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* clarifies disclosure requirements in AASB 101 particularly to ensure entities apply professional judgement to determine disclosure content, effective for the 2016/17 financial report. The change is not expected to have a material impact.
- AASB 16 *Leases* is effective from the 2018/19 financial report. 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.

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

(l) Comparatives

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

Notes to the financial statements

for the year ended 30 June 2016

	2016 \$000	2015 \$000
4. Property, plant and equipment		
Land, buildings & improvements		
Land:		
At directors' valuation	13,589	12,822
Buildings & improvements:		
At directors' valuation	25,672	24,818
Total land, buildings & improvements	39,261	37,640
Infrastructure assets		
At directors' valuation	557,284	528,739
Total infrastructure assets	557,284	528,739
Minor plant & equipment		
At cost	6,226	6,187
Accumulated depreciation	(3,517)	(3,197)
Total minor plant & equipment	2,709	2,990
Motor vehicles		
At cost	359	105
Accumulated depreciation	(106)	(66)
Total motor vehicles	253	39
Assets under construction		
At cost	17,650	6,924
Total property, plant and equipment carrying amount	617,157	576,332

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 2016 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 2016

4. 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 \$142.416 million which represents the cumulative under recovery or future value of the difference between the annual target or building block revenue and the smoothed price cap revenue over the current regulatory period. It is assumed that this amount will be recognised for price modelling purposes at the beginning of the next regulatory period consistent with current regulatory practice.
- Any unrealised capital gains from upwards revaluation of non-current assets are excluded from profit when determining dividend payable for a financial year in accordance with s.660 of the *Water Act 2000*.

The fair value measurement for land, buildings & improvements and infrastructure assets of \$596.545 million (2015: \$566.379 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 2016

4. Property, plant and equipment (continued)

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

* 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 2015				
Land, buildings & improvements	–	–	37,640	37,640
Infrastructure assets	–	–	528,739	528,739
Carrying amount at 30 June 2015	–	–	566,379	566,379
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

Notes to the financial statements

for the year ended 30 June 2016

4. Property, plant and equipment (continued)

Deemed historical cost

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

	2016 \$000	2015 \$000	
Land, buildings and infrastructure at deemed historical cost			
Land	7,996	8,246	
Buildings	20,529	20,356	
Infrastructure	347,324	348,268	
Total cost	375,849	376,870	
Level 3 fair value reconciliation			
	Land & buildings \$000	Infrastructure assets \$000	Total \$000
Carrying amount at 1 July 2014	22,152	481,650	503,802
Acquisitions	13,247	4,214	17,461
Disposals	(106)	(354)	(460)
Depreciation	(1,488)	(10,902)	(12,390)
Gains/(losses) recognised in other comprehensive income	3,835	54,131	57,966
Carrying amount at 30 June 2015	37,640	528,739	566,379
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

Notes to the financial statements

for the year ended 30 June 2016

	2016 \$000	2015 \$000
5. Intangible assets		
Software		
At cost	1,748	1,490
Accumulated amortisation	(1,286)	(996)
Total software	462	494
Land reservations		
At cost	64	116
Easements		
At cost	625	558
CSS development costs		
At cost	34,249	33,137
Accumulated amortisation	(20,508)	(11,080)
Accumulated impairment losses	–	(6,773)
Total CSS development costs	13,741	15,284
Assets under construction		
At cost	4,067	2,331
	18,959	18,783

	Software \$000	Land reservations \$000	Easements \$000	CSS development costs \$000	Assets under construction \$000	Total \$000
Balance at 1 July 2014	304	104	419	17,302	625	18,754
Additions	–	–	–	–	2,997	2,997
Transfers	392	12	139	748	(1,291)	–
Amortisation	(202)	–	–	(2,766)	–	(2,968)
Balance at 30 June 2015	494	116	558	15,284	2,331	18,783
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

Notes to the financial statements

for the year ended 30 June 2016

	2016	2015
	\$000	\$000
6. Labour and on costs		
Wages and salaries	7,138	6,712
Contributions to superannuation plans	812	733
Annual leave expense	676	635
Long service leave expense	79	135
On costs and other	421	225
Direct employment costs	9,125	8,440
Labour hire costs	240	153
Other labour related costs	531	286
Total labour and on costs	9,896	8,879

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

GAWB employed 86.1 full-time equivalent employees as at 30 June 2016 (2015: 78.3 FTEs). This included both full-time employees and part-time employees, measured on a full-time equivalent basis.

Superannuation fund contributions

GAWB makes contributions to superannuation funds. The amount recognised as expense was \$0.812 million for the financial year ended 30 June 2016 (2015: \$0.733 million).

Workers' compensation insurance premium

The amount recognised as an expense for workers' compensation insurance was \$0.094 million for the financial year ended 30 June 2016 (2015: \$0.080 million).

7. Auditors' remuneration

Audit services

Queensland Audit Office		
Audit and review of financial reports	65	59

For the 30 June 2016 audit, the amount quoted for the audit fee was \$0.065 million (2015: \$0.059 million). There are no non-audit services included in these amounts.

Notes to the financial statements

for the year ended 30 June 2016

	2016 \$000	2015 \$000
8. Income tax equivalents		
Recognised in the Statement of Comprehensive Income		
<i>Current tax equivalents (expense)/benefit</i>		
Current year	(5,409)	(6,862)
<i>Deferred tax equivalents (expense)/benefit</i>		
Origination and reversal of temporary differences	1,437	1,499
Total income tax (expense)/benefit	(3,972)	(5,363)
<i>Numerical reconciliation between tax expense and pre-tax net profit</i>		
Profit/(loss) for the year	9,110	12,567
Total income tax expense/(benefit)	3,972	5,363
Profit/(loss) excluding income tax equivalents expense	13,082	17,930
Income tax equivalents (expense)/benefit calculated at 30%	(3,970)	(5,379)
Income tax equivalents (under)/over provided in prior years	–	19
Non-deductible entertainment	(2)	(3)
	(3,972)	(5,363)

9. Capital and reserves

Contributed equity		
Balance at 1 July	64,647	64,647
Equity contributions	–	–
Balance at 30 June	64,647	64,647
Asset revaluation surplus		
Balance at 1 July	229,557	189,315
Revaluation increments/(decrements)	38,860	57,966
Deferred tax on revaluations	(11,658)	(17,246)
Transfer of increments on disposal of assets – net of tax	(576)	(478)
Balance at 30 June	256,183	229,557

Asset revaluation surplus

The asset revaluation surplus relates to property, plant and equipment measured at fair value in accordance with applicable Australian Accounting Standards.

Retained earnings

Retained earnings at 1 July	31,824	37,279
Transfer of increments on disposal of assets	576	478
Dividends paid	–	(8,446)
Dividends proposed	(7,289)	(10,054)
Profit/(loss) for the year	9,110	12,567
Retained earnings at 30 June	34,221	31,824

Notes to the financial statements

for the year ended 30 June 2016

	2016	2015
	\$000	\$000
10(a) Cash and cash equivalents		
Cash at bank	2,487	4,254
Deposits at Queensland Treasury Corporation, at call	24,669	24,231
	27,156	28,485

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	9,110	12,567
Non-cash items included in operating result:		
Adjustment for: Depreciation	14,586	13,028
Amortisation	2,992	2,968
Net (gain)/loss on sale of property, plant and equipment	(622)	404
	26,066	28,967
Change in assets and liabilities:		
(Increase)/decrease in trade receivables	1,828	425
(Increase)/decrease in capital projects receivables	53	455
(Increase)/decrease in other receivables & prepayments	20	1,607
(Increase)/decrease in deferred tax assets	80	(527)
Increase/(decrease) in trade creditors	(329)	(170)
Increase/(decrease) in operating accruals	(605)	443
Increase/(decrease) in deferred tax liabilities	10,141	16,311
Increase/(decrease) in employee benefits	389	109
Increase/(decrease) in current tax liabilities	(2,347)	3,148
Increase/(decrease) in provisions	(30)	(531)
Increase/(decrease) in deferred income	(1,176)	(1,286)
Increase/(decrease) in tax re asset revaluation surplus	(11,658)	(17,246)
Net cash from operating activities	22,432	31,705

11. Trade and other receivables

Current		
Trade receivables	6,499	8,327
Other receivables and prepayments	766	785
Capital project receivables	–	45
Capital project payments on account	992	4,473
	8,257	13,630

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. Other receivables generally arise from transactions outside of GAWB's usual operating activities and are recognised at their assessed values.

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

Notes to the financial statements

for the year ended 30 June 2016

	2016 \$000	2015 \$000
12. Trade and other payables		
Current		
Trade creditors	625	756
Accrued audit fees	26	24
Security deposits	146	146
Other accruals	3,428	4,035
	4,225	4,961

13. Loans and borrowings

GAWB has a working capital facility of \$10.000 million (2015: \$10.000 million) available through Queensland Treasury Corporation (QTC) to assist in managing short term cash requirements.

Finance facilities

Available at reporting date	241,395	239,725
Utilised at reporting date (current and non-current loans and borrowings – unsecured)	(231,395)	(229,725)
	10,000	10,000

14. Employee benefits

Current

Liability for long service leave	424	458
Liability for annual and other leave	908	809
Accrued payroll	328	–
	1,660	1,267

Non-current

Liability for long service leave	329	332
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15. Provisions

Current

Dividend	7,289	10,054
ILUA liability	128	128
Restoration	–	30
	7,417	10,212

Non-current

Restoration	125	125
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Notes to the financial statements

for the year ended 30 June 2016

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Property, plant & equipment	–	381	(73,607)	(63,208)	(73,607)	(62,827)
Intangible assets	5,818	5,012	–	–	5,818	5,012
Other assets	–	–	–	(94)	–	(94)
Trade & other payables	9	182	–	(164)	9	18
Employee benefits	482	480	–	–	482	480
Provisions	–	8	–	–	–	8
Unearned income	–	–	–	–	–	–
Revenue received in advance	1,590	1,916	–	–	1,590	1,916
Tax assets/(liabilities)	7,899	7,979	(73,607)	(63,466)	(65,708)	(55,487)

Movement in temporary differences during the year:

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

	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
	(55,487)	1,437	–	(11,658)	(65,708)

Notes to the financial statements

for the year ended 30 June 2016

17. Financial risk management

(a) General objectives, policies and processes

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

GAWB's risk management policies and objectives are established to identify and analyse the risks faced by GAWB, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. Exceptions to these limits and controls are reported to the Board as they occur. GAWB's internal auditors also review the risk management policies and processes and report their findings to the Board.

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

Financial instruments

Non-derivative financial instruments

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

Recognition

Non-derivative financial instruments are initially recognised at fair value. Instruments not recognised at fair value are recorded through profit and loss including any directly attributable transaction costs except as described below. The net fair value of GAWB's financial assets and liabilities are equivalent to the total carrying amounts as per the Statement of Financial Position except for the net fair value of Queensland Treasury Corporation borrowings, which is based on market prices (categorised as level 1 within the fair value hierarchy). The carrying amounts of trade and other receivables and trade and other payables are a reasonable approximation of their net fair values.

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

Classification

Financial Instruments are classified and measured as follows:

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

Notes to the financial statements

for the year ended 30 June 2016

17. Financial risk management (continued)

	Total carrying amount		Net fair value	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Financial Assets				
Cash and cash equivalents:				
Cash at bank and on hand	2,487	4,254	2,488	4,254
Deposits at Queensland Treasury Corporation, at call	24,669	24,231	24,668	24,231
Trade and other receivables	8,257	13,630	8,257	13,630
	35,413	42,115	35,413	42,115
Financial Liabilities				
Interest-bearing liabilities	231,395	229,725	240,053	229,846
Trade and other payables	4,225	4,961	4,225	4,961
	235,620	234,686	244,278	234,807

(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.

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 \$1.175 million of trade receivables at 30 June 2016 (2015: \$1.391 million).

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

	2016 \$000	2015 \$000
Trade receivables not impaired		
Not due	4,520	6,105
Overdue <31 days	1,978	2,221
Overdue 31–60 days	–	1
Overdue >60 days	1	–
Total	6,499	8,327

As at 30 June 2016 GAWB had current trade receivables of \$Nil (2015: \$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 2016

17. Financial risk management (continued)

(c) Liquidity risk

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

The following financing facilities were available at balance date:

	2016 \$000	2015 \$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	231,395	229,725
Used at balance date	231,395	229,725
Unused at balance date	–	–

The overdraft facility may be drawn down at any time but may be terminated by the financier without notice. Of the loan facilities, \$231.395 million is fully drawn and has a maturity of 20 years (2015: \$229.725 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 2015						
Financial liabilities						
Trade and other payables	–	–	–	–	4,961	4,961
Interest-bearing liabilities	8,786	35,070	412,546	–	–	456,402
Total	8,786	35,070	412,546	–	4,961	461,363
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

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 2016

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 2015					
Cash at bank	4,255	-	-	-	-
Deposits at Queensland Treasury Corporation, at call	24,231	(242)	(242)	242	242
30 June 2016					
Cash at bank	2,488	-	-	-	-
Deposits at Queensland Treasury Corporation, at call	24,668	(247)	(247)	247	247

Notes to the financial statements

for the year ended 30 June 2016

17. Financial risk management (continued)

(e) Capital risk management

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

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

It is GAWB's target to maintain its gearing ratio within the range of 42.5%–65%. GAWB's gearing ratio at the balance sheet date is shown below:

	2016 \$000	2015 \$000
Gearing ratios		
Total debt	231,395	229,725
Total equity	355,051	325,716
Total equity and net debt	586,446	555,441
Gearing ratio	39%	41%

(f) Classification of financial instruments recorded at fair value

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 June 2015				
<i>Financial assets</i>				
Cash and cash equivalents	28,485	–	–	28,485
30 June 2016				
<i>Financial assets</i>				
Cash and cash equivalents	27,156	–	–	27,156

Notes to the financial statements

for the year ended 30 June 2016

	2016 \$000	2015 \$000
18. Commitments		
(a) Leases as lessee		
Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:		
Not later than 1 year	687	711
Later than one year not later than five years	1,070	623
Later than five years	1,444	2,157
	3,201	3,491
During the year ended 30 June 2016, \$0.594 million was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2015: \$0.605 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	185	175
Later than one year, but not later than five years	158	48
More than five years	–	–
	343	223
Amounts to be capitalised:		
Not later than one year	11,194	7,249
Later than one year, but not later than five years	–	–
More than five years	–	–
Infrastructure projects	11,194	7,249

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. GAWB is currently following up payment of the amount. 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 2016

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 2015/16 financial year and during the 2014/15 financial year (for comparative purposes) were:

Board of directors

Position	Responsibilities	Appointment authority	Date initially appointed to position (Date appointment ceased)
Chairperson – Mr Denis Cook	Responsible for leading and directing the board, presiding at all meetings attended, for governing the operations of GAWB and reporting and continuous disclosure to the Minister under the <i>Water Act 2000</i> .	<i>Water Act 2000</i> section 600, 601 and 604	Director: 27 June 2014 Chairperson: 1 January 2015
Chairperson – Ms Mary Boydell			Director: 29 June 2001 Chairperson: 22 February 2002 (31 December 2014)
Director – Ms Patrice Brown	Responsible for governing the operations of GAWB and reporting and continuous disclosure to the Minister under the <i>Water Act 2000</i> .	<i>Water Act 2000</i> section 600 and 604	27 June 2014
Director – Mr Malcolm Leinster			4 August 2011
Director – Mr Graham McDonald			27 June 2014
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, financial management, reporting, procurement, information technology and compliance.	Common law contract	29 April 2011 (18 February 2016) 21 March 2016
Infrastructure Planning & Delivery Manager	Managing the planning, implementation and delivery of capital works projects, environmental compliance, drought management planning, catchment modelling and land management. Incorporates network modelling and planning functions.	Common law contract	1 April 2011
Operations & Maintenance Manager	Water quality, treatment plant operations, asset maintenance activities and disaster management coordination.	Common law contract	25 February 2013
Corporate Secretary	Corporate secretarial functions and processes. Incorporates governance, risk and compliance functions.	Common law contract	28 November 2011 (16 December 2015) 20 April 2016

Notes to the financial statements

for the year ended 30 June 2016

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

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

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

As at the date of management certification of these financial statements, the eligibility of key executive management personnel to a performance payment for the year ended 30 June 2016 had not yet been determined by the Board. Therefore, any performance payment approved by the Board will be reported as an expense within the 2016/17 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, a GRC-nominated successor will be appointed to the Board. Director compensation included the following:

Board of directors' compensation

Position	Short term employee benefits			Post employment benefits	Termination benefits	Total remuneration
	Monetary benefits	Non-monetary benefits	Long term employee benefits			
	\$000	\$000	\$000	\$000	\$000	\$000
2015						
Chairperson – Mr Denis Cook	45	–	–	4	–	49
Chairperson – Ms Mary Boydell	29	–	–	3	–	32
Director – Ms Patrice Brown	29	–	–	3	–	32
Director – Mr Malcolm Leinster	31	–	–	3	–	34
Director – Cr Graham McDonald	–	–	–	–	–	–
Director – Mr John Orange	16	–	–	–	–	16
Total Remuneration	150	–	–	13	–	163
2016						
Chairperson – Mr Denis Cook	58	–	–	6	–	64
Chairperson – Ms Mary Boydell	–	–	–	–	–	–
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

Notes to the financial statements

for the year ended 30 June 2016

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				
	2015					
Chief Executive Officer	332	28	16	27	–	403
Chief Financial Officer	203	1	8	17	–	229
Infrastructure Planning & Delivery Manager	202	–	5	19	–	226
Operations & Maintenance Manager	202	1	3	19	–	225
Corporate Secretary	175	–	4	25	–	204
Total Remuneration	1,114	30	36	107	–	1,287
2016						
Chief Executive Officer	330	29	(6)	28	–	381
Chief Financial Officer	318	1	(26)	27	–	320
Infrastructure Planning & Delivery Manager	209	(1)	6	18	–	232
Operations & Maintenance Manager	216	1	4	18	–	239
Corporate Secretary	120	–	(7)	20	55	188
Total Remuneration	1,193	30	(29)	111	55	1,360

Key executive management personnel performance bonuses

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. In the prior year, a performance bonus was paid on 2 October 2014 to the Chief Executive Officer, Chief Financial Officer, Infrastructure Planning & Delivery Manager, Operations & Maintenance Manager, Corporate Services Manager and Corporate Secretary. Performance bonuses are recognised as an expense during the year they are paid.

	2016 Number	2015 Number
\$40,000 to \$49,999	1	–
\$30,000 to \$39,999	–	1
\$20,000 to \$29,999	3	2
\$10,000 to \$19,999	1	2
\$0 to \$9,999	–	–
Total	5	5

Notes to the financial statements

for the year ended 30 June 2016

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

GAWB entered into 13 transactions for the supply of goods and services to director related entities during the year (2015: 25 transactions) and 86 transactions for the purchase of goods and services (2015: 83 transactions). The aggregate amounts recognised in profit or loss during the year relating to directors and director related entities, other than directors' remuneration, comprise:

	2016 \$000	2015 \$000
Revenue		
Water supply revenue	19,016	17,057
Other income	–	16
	19,016	17,073
Expenditure		
Other expenses	433	317

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

Receivables

Trade receivables	1,175	1,391
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Payables

Trade creditors	6	15
Other payables and accruals	121	514
Total	127	529

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

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

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

21. Subsequent event

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

Management certification of the financial statements

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), sections 43 to 50 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with Section 62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
- (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 2016 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
25 August 2016

Independent Auditor's report

To the Board of Gladstone Area Water Board

Report on the Financial Report

I have audited the accompanying financial report of Gladstone Area Water Board, which comprises the statement of financial position as at 30 June 2016, 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 significant accounting policies and other explanatory information, and certificates given by the Chairperson, Chief Executive Officer and Chief Financial Officer.

The Board's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Gladstone Area Water Board for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Independent Auditor's report

To the Board of Gladstone Area Water Board

Other Matters – Electronic Presentation of the Audited Financial Report

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



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



Queensland Audit Office
Brisbane

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: 14 Audit Committee: 5	\$55,000 pa	\$3,000 pa	\$63,510
Director	Patrice Brown	Board: 13	\$27,500 pa	N/A	\$30,112
Director	Malcolm Leinster	Board: 15 Audit Committee: 6	\$27,500 pa	\$3,000 pa	\$33,397
Director	Graham McDonald	Board: 13 Audit Committee: 1	Nil.	Nil.	\$8,686
Director	John Orange	Board: 14 Audit Committee: 6	\$27,500 pa	\$4,000 pa	\$31,500
No. scheduled meetings/sessions	Board: 15 Audit Committee: 6				
Total out of pocket expenses	\$6,062				

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	<ul style="list-style-type: none"> 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 	ARR – section 10.1 Page 3 Page 71 ARR – section 10.2 Page 72 <i>Queensland Government Language Services Policy</i> ARR – section 10.3 Page 72 <i>Copyright Act 1968</i> ARR – section 10.4 Page 72 <i>QGEA – Information Licensing</i> ARR – section 10.5 Departments only
General information	<ul style="list-style-type: none"> Introductory Information Agency role and main functions Operating environment Machinery of government changes 	ARR – section 11.1 Pages 5–6 ARR – section 11.2 Pages 5–6 ARR – section 11.3 Pages 5-6, 7-9 and 13-21 ARR – section 11.4 N/A
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 	ARR – section 12.1 Pages 7-10 and 13-22 ARR – section 12.2 Pages 7-10 and 13-22 ARR – section 12.3 Pages 7-10 and 13-22 and 30 ARR – section 12.4 Pages 7-10 and 13-22 and 30
Financial performance	<ul style="list-style-type: none"> Summary of financial performance 	ARR – section 13.1 Pages 7-10, 30 and 31-64
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> Public Service Values 	ARR – section 14.1 Pages 11–12 and 23–26 ARR – section 14.2 Pages 23–24 ARR – section 14.3 Appendix 1 Page 68 <i>Public Sector Ethics Act 1994</i> ARR – section 14.4 Page 29 ARR – section 14.5 Page 6

Appendix 2 – Compliance Checklist continued

Summary of requirement	Basis for requirement	Annual report reference	
Governance – risk management and accountability	• Risk management	ARRs – section 15.1	Pages 21 and 25–26
	• Audit Committee	ARRs – section 15.2	Page 26
	• Internal Audit	ARRs – section 15.3	Page 26
	• External scrutiny	ARRs – section 15.4	N/A – No significant findings or issues identified by external reviewers.
	• Information systems and recordkeeping	ARRs – section 15.5	Pages 21 and 29
Governance – human resources	• Workforce planning and performance	ARRs – section 16.1	Pages 20–21 and 27
	• Early retirement, redundancy and retrenchment	Directive No.11/12 Early Retirement, Redundancy and Retrenchment ARRs – section 16.2	Departments and Public Service Offices
Open Data	• Consultancies	ARRs – section 17 ARRs – section 34.1	Page 29
	• Overseas travel	ARRs – section 17 ARRs – section 34.2	Page 29
	• Queensland Language Services Policy	ARRs – section 17 ARRs – section 34.3	Departments and participating statutory bodies
Financial statements	• Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 18.1	Page 65
	• Independent Auditor’s Report	FAA – section 62 FPMS – section 50 ARRs – section 18.2	Pages 66–67

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2009*

ARRs *Annual report requirements for Queensland Government agencies*

Glossary

Act	<i>Water Act 2000 (Qld)</i>
AHD	Australian Height Datum
ANCOLD	Australian National Committee on Large Dams Inc
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AWA	Australian Water Association
Awoonga ROL	Awoonga Water Supply Scheme Resource Operations Licence
Board	GAWB's Board of Directors
Boyne River ROP	Boyne River Basin Resource Operations Plan 2013
CAPEX	Capital expenditure
CEO	Chief Executive Officer
CSS	Contingent Supply Strategy
DMP	Drought Management Plan
DWQMP	Drinking Water Quality Management Plan
EAP	Emergency Action Plan
EBIT	Earnings Before Interest and Tax
ECM	Enterprise Content Management
EIS	Environmental Impact Statement
ERP	Enterprise Resource Planning
FTE	Full Time Equivalent
GAWB	Gladstone Area Water Board
GFP	Gladstone Fitzroy Pipeline Project
Gladstone WTP	Gladstone Water Treatment Plant
GRC	Gladstone Regional Council
GST	Goods and Services Tax
IP	Information Privacy
KMP	Key Management Personnel
KPM	Key Performance Measure
LFRIP	Lower Fitzroy River Infrastructure Project
LNG	Liquefied Natural Gas
LTI	Lost Time Injury
Minister	Minister for Energy, Biofuels and Water Supply
ML	Megalitres
ML p.a.	Megalitres per annum
QCA	Queensland Competition Authority
QTC	Queensland Treasury Corporation
ROA	Return on Assets
RTI	Right to Information
SAMP	Strategic Asset Management Plan
SWP	Strategic Water Plan
WACC	Weighted Average Cost of Capital
WRP	Water Resource (Boyne River Basin) Plan 2013
WSAA	Water Services Association of Australia
WSSRA	<i>Water Supply (Safety and Reliability) Act 2008 (Qld)</i>

Directory

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ISSN: 1837-2252

Directors

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

Chief Executive Officer

Jim Grayson

Corporate Secretary

Jodi Buckle

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.



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