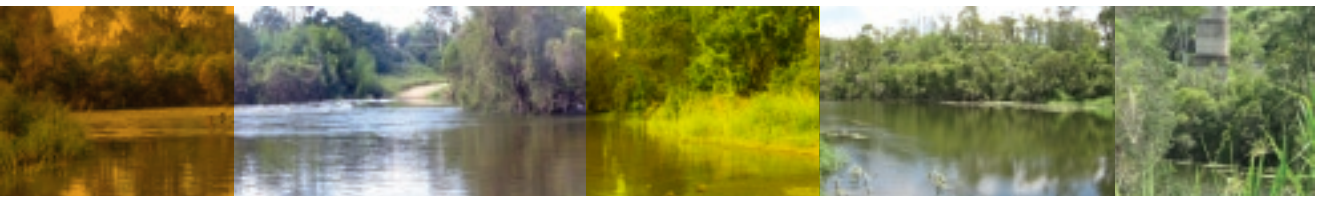


ANNUAL REPORT 2011



GLADSTONE AREA WATER BOARD



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The Honourable Stephen Robertson MP
Minister for Energy and Water Utilities
PO Box 15216
CITY EAST Qld 4002

Dear Minister

I am pleased to present the Annual Report 2010-2011 for the Gladstone Area Water Board.

I certify that this Annual Report complies with:

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

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

Yours sincerely

Mary Boydell
Chairperson



CHAIRPERSON'S REVIEW

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

GAWB owns and operates Awoonga Dam on the Boyne River along with a network of delivery pipelines, water treatment plants and other bulk water distribution infrastructure in the Gladstone region in Central Queensland. GAWB holds an allocation of 78,000ML per annum (ML p.a.) from Awoonga Dam on the Boyne River by virtue of a Resource Operations Licence issued pursuant to the *Water Resource (Boyne River Basin) Plan 2000 (WRP)*.

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

The CSS has seen GAWB:

- » Conclude detailed design for the Gladstone to Fitzroy Pipeline (GFP) as well as obtaining necessary land and other environmental approvals;
- » Secure an entitlement to 30,000 ML pa of high reliability water from

the lower Fitzroy River, which was formalised through the amendment of the Fitzroy Basin Resource Operations Plan 2004 in July 2009; and

- » In conjunction with its joint proponent (SunWater) conclude significant preparatory activities towards the ultimate construction of additional water storage on the lower Fitzroy River (Lower Fitzroy River Infrastructure Project (LFRIP)).

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

On 12 December 2010, water flowed over the Awoonga Dam spillway (at 40 metre level) for the first time since it was constructed in 2002. The Dam spillway continued to overflow up to 24 June 2011 with an estimated 1.3 million megalitres of water being released. During the period of inflows that occurred in December 2010 and January 2011 the level of water rose from the 40m level up to a record high level of 44.09m on 28 December 2010. The dam level as at 30 June 2011 was 40.00m or 100% of capacity.

With water flowing over the spillway, mature barramundi and other fish stocks were able to enter downstream waters. The fatality rate was estimated

at approximately 10% to 20%, which compares very favourably with similar incidents at other storages. The community flocked to vantage points to view the water flowing over the spillway. An incredible 38,824 vehicles visited the dam from December 2010 to January 2011 (Gladstone region population is estimated at about 50,000).

The recommendations arising from the QCA 2010 Price Review were accepted by the QCA Ministers without qualification in December 2010. GAWB is endeavouring to achieve the efficiency savings required to operate within the QCA expense allowances. Internal systems and processes are being developed and implemented to ensure appropriate data and information to support GAWB's submissions to the 2015 Price Review. Overall the outcomes achieved from the 2010 Price Reset Review have assisted GAWB to meet the water needs of the region whilst at the same time achieving an appropriate commercial return on its investment.

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 a stable platform to move forward and continue efficient and effective operations to meet the water needs of the region into the future.

At 30 June 2011, GAWB had total assets of \$455.063 million, with equity of \$248.154 million, and employed 67 people (61 full time equivalents). GAWB's revenue in 2010/11 from the supply of water was \$42.465 million. Net profits after tax as at 30 June 2011 totalled \$5.859 million.





VISION

To be an excellent water business



MISSION

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



VALUES

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

Professionalism
– individual and collective

Accountability
– clarity and commitment

Communication
– clear and concise

Trust
– earning and conferring

OVERVIEW OF THE YEAR

SIGNIFICANT HIGHLIGHTS FOR THE 2010/2011 REPORTING YEAR

Unquestionably, the dam spilling was the most significant event for the year. It commenced on 12 December 2010 and only ceased in June 2011. This was the first time the dam had spilled since it was raised in 2002. The broader significance of the event to the Gladstone region was highlighted by increased media and public interest in the dam, with an incredible 38,824 vehicles visiting the dam from December 2010 to January 2011 (Gladstone region population is estimated at about 50,000). The inflows that caused Awoonga Dam to spill also resulted in some localised flooding in the upper reaches of the storage and downstream from the spillway.

During this event, GAWB continued to meet the water needs of its customers and maintained full operational activities including planned maintenance of the dam wall and infrastructure in accordance with the 2010/2011 Performance Plan.

The spilling event required activation of GAWB Emergency Action Plans. GAWB discharged its requirements under these plans, but will undertake identified refinements leading into the 2011/12 wet season during which Awoonga Dam is again expected to spill, having regard to forecast rainfall and its current storage.

GAWB is actively considering the Flood Commission of Inquiry recommendations and will implement appropriate findings that relate to emergency planning and other processes.

Meeting Water Needs

- » Acceptance by QCA Ministers of the recommendations included in the 2010 Price Review report provided appropriate outcomes to support the efficient operations of GAWB to meet the needs of customers.
- » Improved water quality management processes and submission of Drinking Water Quality Management Plan to the regulator for approval by the due date.
- » Dam Spilling event that commenced on 12 December 2010 and resulted in dam levels being at maximum capacity or above up to 30 June 2011.
- » Dam Safety program of works nearing completion.
- » Engagement with Curtis Island Liquefied Natural Gas (LNG) proponents to ensure GAWB can meet their requirements for provision of water to site for construction and production purposes.
- » Improvement to GAWB Strategic Asset Management Plan (SAMP) and submission and acceptance of revised SAMP by regulator.
- » Improvements to the Asset Management System (AMS) to support GAWB's capacity to deliver optimal whole of life operation of its infrastructure at the high reliability levels required by its customers.

Commercial Results

- » Received agreement to the setting of the Competitive Neutrality Fee (CNF).
- » Completion of the Forward Starting Loans (FSL) borrowing approval process to mitigate the impacts of interest rate movement on future borrowing requirements within the 2010 to 2015 regulatory control period.
- » Customers provided binding commitments to reserved water demand to 2015 with most to 2030 and ongoing negotiations to formalise these commitments in agreed long term water supply contracts.
- » Improved efficiency in operational activities and working to realise further operational alignment through the water supply chain including improved capital works planning and delivery processes.
- » Water sales of \$42.465 million (41,078 ML) compared to target sales of \$39.573 million (48,023 ML).
- » Operating expenses of \$20.77 million (includes \$4.3M of Curtis Island Project expenses for engineering, design and early approval on licences) compared to budget expenditure of \$17.577 million (did not include Curtis Island Project expenses).
- » Net profit after tax equivalents of \$5.859 million compared to budgeted profit of \$0.75 million through increased water sales and lower than budget interest expense, depreciation and amortisation.
- » Debt/equity ratio of 37% at 30 June 2011, lower than target of 44%.



OVERVIEW OF THE YEAR CONTINUED

Corporate Citizenship

- » 847 days without any Lost Time Injury (LTI), however this ended during the year with the occurrence of 2 LTI's.
- » Continuous improvement and focus on GAWB commitment to safety including implementation of due diligence activities to ensure compliance with proposed national work place law changes.
- » Compliance with environmental obligations and reporting requirements of the Resource Operations Plan, Resource Operations Licence and Environmental Protection Agency.
- » Management of the dam spilling event and the resultant movement of fish stocks from the dam impoundment to downstream waters being beneficial for the environment and ecological development of the fish species and the benefit of tourism and fishing in the region.
- » Facilitated intense community interest in the dam spilling event as reflected by 38,824 vehicles visiting the dam between December 2010 and January 2011.

Capability

- » Improved management reporting processes for information flow and project management requirements including budget and milestone tracking and risk management.
- » Implementation of Health and Well Being initiatives for GAWB employees.
- » Improvements in the Asset Management Systems to ensure appropriate processes and best practice framework is developed for GAWB.
- » Planned and tested conversion of payroll function with go-live date achieved on 14 July 2011.
- » Recruitment of suitable resources and capability development in GAWB operations.
- » Restructure of business organisational structure to improve responsibility for the purpose of planning and delivery of projects, information sharing and knowledge development in internal resources.
- » Integration of functions and processes and improved standard operating procedures for safety, risk and work method requirements.

GAWB's actual performance in 2010/11 is set out in table 1 with comparisons against KPI targets set out in the Performance Plan 2010/11 and results for the 2009/10 year. The financial results for 2009/10 were significantly impacted by the recognition in the Statement of Comprehensive Income of an impairment loss of \$6.7 million against the intangible asset representing the development costs of the CSS and recognition of an asset revaluation surplus of \$47.445 million for property, plant and equipment.

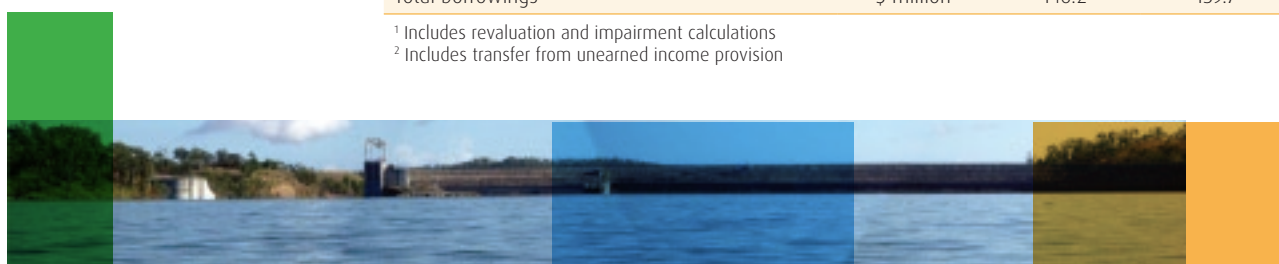
GAWB uses key performance indicators (KPIs) to assist it to monitor the efficiency and effectiveness of its operations. GAWB considers relevant industry benchmarks in the formulation of these KPIs.

A snapshot of GAWB's financial position¹ at 30 June 2011 is shown in the table at right.

		2011	2010
Profit and Dividend			
Water sales revenue ²	\$ million	42.4	28.2
Total revenue	\$ million	47.1	28.6
Earnings before interest and tax	\$ million	19.0	(1.9)
Profit/(loss) after tax	\$ million	5.9	(7.1)
Dividends provided	\$ million	0	0
Cash Flow			
Net Cash from operating activities	\$ million	13.3	3.4
Balance Sheet			
Total assets	\$ million	455.1	421.3
Total equity	\$ million	248.2	232.8
Total borrowings	\$ million	146.2	139.7

¹ Includes revaluation and impairment calculations

² Includes transfer from unearned income provision



OVERVIEW OF THE YEAR CONTINUED

Table 1
Headline KPIs

	Twelve Months Ended 30 June			
	2011 Actual	Target	2010 Actual	
Headline KPIs				
<u>Meeting Water Needs</u>				
<i>Water Demand</i>				
Variation Actual and regulatory forecast demand	%	-0.2%	+/- 10%	-6.2%
<i>Water Supply</i>				
Sufficiency				
% Preparedness for Large Scale Augmentation	%	100%	100%	90%
% Preparedness for Small Scale Augmentation	%	60-70%	100%	24%
Water Quality				
Treated water fitness to drink	%	100%	100%	100%
Cost/Efficiency				
CAPEX Spend on all Projects ¹	\$	\$11.102M	\$18.70M	\$8.971M
<u>Commercial Results</u>				
<u>Profitability</u>				
EBIT ²	\$	\$19,015M	13,479	(\$1,856M)
ROA ³	%	4.34%	3.14%	(0.5%)
Operating expenditure (less depreciate & interest) V Budget ²	%	117%	<100%	90%
<u>Value</u>				
Cash from operations – excess before interest	\$	\$23.077M	\$22.331M	\$11.785
<u>Corporate Citizenship</u>				
<i>Safety</i>				
Lost time injuries	No.	2	≤2	Nil
<u>Environmental Responsibility</u>				
Compliance with environmental legislation and standards - no breach notices received	No.	Nil	Nil	Nil
<u>Capability</u>				
Percentage of Headline KPI's achieved ²	%	73%	100%	55%

- 1 The planned 2010/11 CAPEX program included 55 projects. This excludes the gross expenditure of \$4,305 million incurred on the Curtis Island Potable Water Pipeline which has been recorded separately on the Statement of comprehensive income as a recoverable project. 10 of the planned projects were completed (18%), 24 (44%) of the projects were in progress and will be carried over to 2011/12 program, 1 (2%) were deferred to future years and 6 (12%) were cancelled due to improved scoping or other works rectifying the need for capital expenditure. A further 31 projects were brought forward from the prior year (28 of which were completed) and 26 additional minor projects were initiated (14 of which were completed).
- 2 The commercial results for the year is impacted by the recognition of Curtis Island expenditure of \$4,305million previously reported as CAPEX. The targets reflected in the table above do not include the expenditure for the Curtis Island project. The two KPI's i.e. Operating Expenditure and Percentage of Headline KPI's achieved without including the expenditure of the Curtis Island Project would be 92% and 82% respectively.
- 3 The EBIT and ROA KPI's are negligibly affected by the net result of the Curtis Island expenditure and reimbursement by the LNG proponents, which totalled approximately \$362,000.



BOARD OF DIRECTORS PROFILES



Mary S. Boydell, B. Com., FCA, of Brisbane Chairperson

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



Cr. Craig W. Butler, of Targinnie

Appointed a Director on 17 September 2004, Cr Butler was a member of the Calliope Shire Council from 1997 up to the Local Government amalgamation and was elected as a Councillor of the Gladstone Regional Council (GRC) in March 2008. Cr Butler was appointed as a member of the Board's ARM committee on 28 August 2008. He is vice president of the Central Queensland Local Government Association and a member of the Central Queensland Waste Committee. He is also a management committee member of the Capricorn Pest Management Group. Cr Butler has extensive experience as a surveyor across the mining, engineering and construction and land development fields. He has been a Director and partner in a local consultant surveying business and has a long record of involvement in various community organisations including executive positions.



Warren Dinte, FAICD, JP (Comm. Dec.), of Calliope

A member of the Board serving continuously since 1997 prior to GAWB's commercialisation in 2000. At his initial appointment, Mr Dinte was one of the then Calliope Shire Council's two nominees. Following the creation of the Gladstone Regional Council in 2008, Mr Dinte, although not a Councillor, was re-nominated by that Regional Council. Mr Dinte is a member of the Capital Works and Technical Committee and the Nomination and Remuneration Committee. He was also a member of the Audit and Risk Management Committee for the period 29 July 2010 to 30 September 2010. Owner of a small business for 30 years until his retirement, Mr Dinte has extensive experience as Secretary or Member of Statutory Authorities including 16 years as a Councillor. Mr Dinte is a Fellow of the Australian Institute of Company Directors.

BOARD OF DIRECTORS PROFILES CONTINUED



John J. Mulheron, B. E. (Civil), Grad. Dip. Bus. Admin., of Brisbane

Appointed a Director on 15 December 2000, Mr. Mulheron is also Chairperson of the Board's Capital Works and Technical Committee. Mr Mulheron is a water industry consultant and is a former career public servant and Coordinator – General in the Queensland Premier's Department.



Cr. Gail M. Sellers, B. Ed, Grad. Dip. T. Lib., of Gladstone

Appointed to the Board on 17 September 2004 Cr Sellers resigned as a Director of the Board on 17 December 2010 following her election as Mayor for Gladstone. She was one of the Gladstone City Council's nominees appointed to the Board. Cr. Sellers was appointed as the Chairperson of the Board's Nomination and Remuneration Committee with effect from 15 October 2009. She was a member of the Gladstone City Council from 1988 and Deputy Mayor of Gladstone from 1997 up to the amalgamation process in March 2008. She was elected as a councillor for the Gladstone Regional Council (GRC) and is currently Mayor of the GRC.



Cr. Clyde Cameron, of Calliope

Appointed a Director on 14 August 2009, Cr. Cameron is a Councillor of the Gladstone Regional Council (GRC) since March 2008, previously serving as Councillor with the former Calliope Shire Council since March 2004. During the year he was appointed as a member of the Board's Nomination and Remuneration Committee and as Chairperson of that Committee since 14 March 2011. Cr. Cameron is a primary producer of cattle and fourth generation owner of a local grazing property. He is also a Director for the Fitzroy Basin Association and Deputy Chairman of the Capricorn Pest Management Group.



Amelia Hodge, LLB, Grad. Cert. of Property Econ., of St. Lucia

Appointed a Director on 16 July 2010, Ms. Hodge is a member of the Audit and Risk Management Committee. She is currently a Non Executive Director of Transmax Pty Ltd and serves as a member of the Great Artesian Basin Advisory Council on behalf of the Office for Women. Amelia is currently Managing Director of her own consultancy company and has undertaken senior management roles across a range of infrastructure projects for State and local government entities. Prior to that (since June 2006) she was a Principal at Coffey Commercial Advisory, has worked in the Sustainable Industries Division of the EPA and held the position of Principal of her private legal practice, specialising in areas of Property and Commercial law. Amelia has also completed the Harvard University Kennedy School of Government Infrastructure and the Market Economy Executive Program and is a member of several professional infrastructure associations.

BOARD OF DIRECTORS PROFILES CONTINUED

The number of meetings of the Board and its standing committees attended by each Director during the 2010/11 financial year is set out below.

Director	Board Meetings	
	Attended	Held
Ms M.S. Boydell	17	17
Cr. C. Butler	15	17
Mr W. Dinte	17	17
Mr J.J. Mulheron	14	17
Cr. G. Sellers	10	10
Cr C Cameron	16	17
Ms A Hodge	14	17

Director	Audit & Risk Management Committee Meetings		Nomination & Remuneration Committee Meetings		Capital Works & Technical Committee Meetings	
	Attended	Held	Attended	Held	Attended	Held
Ms M.S. Boydell	7	7	-	-	-	-
Cr. C. Butler	5	7	-	-	2	3
Mr W. Dinte	4	4	1	1	3	3
Mr J.J. Mulheron	-	-	2	3	3	3
Cr. G. Sellers	-	-	2	2	-	-
Cr C Cameron	-	-	3	3	-	-
Ms A Hodge	3	3	-	-	-	-



MEETING WATER NEEDS

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

WATER PLANNING

GAWB must be well positioned to provide commercial solutions to maintain existing demand and meet additional demand as it emerges. More than 80% of the water supplied by GAWB is to a small number of large industrial customers who are reliant on a 24/7 water supply. The successful management of this demand is dependent on GAWB's sustainable management of its current water source and its capability to augment this supply when required. This capability is built upon an ongoing focus upon planning to better understand the challenges and opportunities presented in the future.

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

These objectives were to:

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

A review of the SWP commenced in the latter part of 2010/11 year and will be completed during the 2011/12 year. As contrasted to the circumstances surrounding the completion of the first

SWP, which had as its prime focus on ensuring the security and reliability of GAWB's water supply, the next SWP will include such matters but within a broader context of articulating GAWB's longer term strategic platforms and objectives.

The CSS provides GAWB with the strategic mechanism to efficiently respond to either emerging demand (demand trigger) or supply shortages due to a prolonged period of low inflows into Awoonga Dam (drought trigger). The CSS provides GAWB with this capability through investigating alternative supply options and undertaking only that work that is necessary to reach and maintain the desired state of preparedness. The CSS currently incorporates the preparatory works for the GFP, preparatory works for the LFRIP and desalination investigations.

The preparatory activities for the GFP and LFRIP will allow GAWB, through the Central Queensland Regional Water Supply Strategy (CQRWSS), to access its reserved entitlement of up to 30,000 ML pa of high reliability water from the lower Fitzroy River. This entitlement was formalised through the amendment of the Fitzroy Basin Resource Operations Plan 2004 in July 2009.

The work program for the GFP preparatory works was revised during the 2010/11 year to ensure that only those tasks necessary to maintain the state of preparedness and retain value in the work were undertaken. The following outcomes were achieved in the 2010/11 year:

- » Continued liaison with Department of Employment, Economic Development and Innovation (DEEDI) over the Stanwell Gladstone Infrastructure Corridor / Gladstone State Development Area (SGIC/GSDA) baseline infrastructure and possible construction protocols, licence and access requirements of construction and operational purposes.

- » Continued the necessary ongoing acquisition of key sites for project infrastructure including the intake pumping station, pipeline easements, water treatment plant, booster pumping station and reservoirs.
- » Continued to progress the finalisation of the commercial arrangements with the construction contract for the pipeline with the contractor subject to and exercisable by GAWB, conditions precedent such as triggers for construction and government approvals occurring.
- » Progressed obtaining the outstanding Commonwealth Environmental approvals.
- » Engaged with LNG proponents on the realignment of a section of the GFP to accommodate the proposed LNG pipelines. This work was being undertaken at no cost to GAWB with finalisation to occur in the 2011/12 year.

The work program for the LFRIP continued during 2010/11 with the following outcomes achieved:

- » Obtained significant project status for progression of the Environmental Impact Statement (EIS).
- » Receipt of Commonwealth Government EIS requirements.
- » Developed the necessary information for the production of the EIS to meet both State and Commonwealth requirements in anticipation of receiving the terms of reference from the Queensland government.
- » Continued progression of preliminary design reports.
- » Commenced the Business Case preparation.
- » Completed five Cultural Heritage Management Plans (CHMP) with four being executed to the satisfaction of the Queensland Government. The finalisation of the one outstanding CHMP will be completed in 2011/12.

REVIEW CONTINUED

The work program for the desalination investigation was reviewed and refined during 2010/11 with an adjusted program developed for the 2011/12 year.

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

The *Water Resource (Boyne River Basin) Plan 2000* (WRP) sets out the strategies for the sustainable allocation and management of water through the implementation of the *Boyne River Basin Resource Operations Plan 2003* (ROP). Under the Boyne River ROP GAWB was issued with a Resource Operations Licence (ROL), operating rules for Awoonga Dam, an allocation of 78,000ML p.a. and a water and aquatic ecosystem monitoring program.

While the WRP was due to expire on 1 September 2011 a regulation under the Statutory Instruments Act 1992 has extended the life of the Boyne WRP by 12 months. GAWB will be preparing for the renewal of the WRP and associated ROP/ROL in the 2011 year.

Awoonga Dam received approximately 1,694mm of rain over the 12 months to 30 June 2011. This is about twice the annual mean rainfall (approximately 850mm). Regional rainfall over the period was similar.

December and March were particularly wet months with 701mm and 209mm rainfall respectively. September and November 2010 were also relatively 'wet months'.

Date of peak inflow	Estimated Daily Inflow (ML)	Peak level in dam	Comment
12 December 2010	58,000	40.98	Peak level one day later
28 December 2010	292,000	44.09	Estimated 1 in 35 year flood event
20 March 2011	28,537	41.02	Peak level two days later

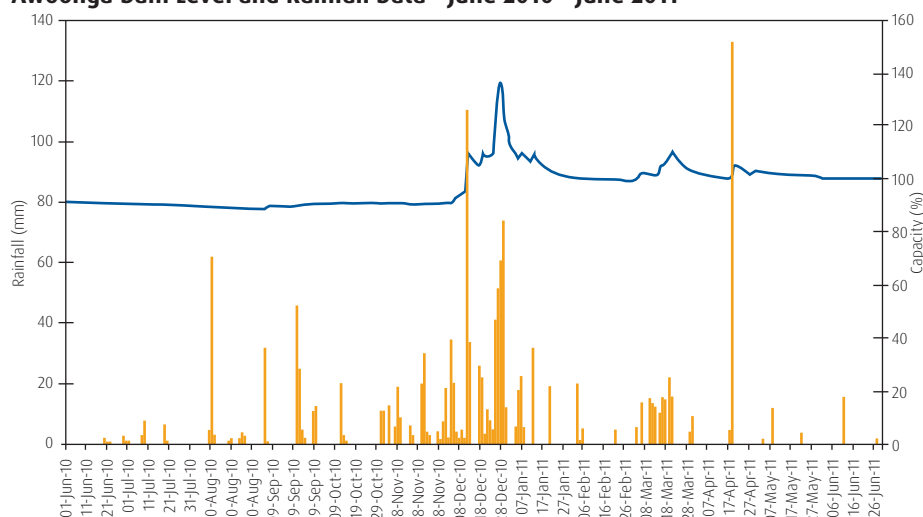
Annual inflows into Lake Awoonga for period 1 July 2010 to 30 June 2011 were approximately 1.6 million ML.

The water level in Awoonga Dam on 1 July 2010 was 38.84m. This corresponds to a storage volume of 701,300ML or 90.2% of full supply level (40.0m) capacity. As a result of the inflows Awoonga Dam filled and flowed over the spillway for the first time on 12 December 2010. A maximum water level

of 44.09m was recorded at around 4pm on 28 December 2010. This corresponds to a storage volume of 1,089,510 ML or 140% of full supply level capacity.

Flows over the spillway continued through to June 2011. Base flow releases were initiated in late June once flows over the spillway dropped below the minimum environmental base flow. On 30 June 2011 the water level was recorded at 40.00m, or full supply level.

Awoonga Dam Level and Rainfall Data - June 2010 - June 2011



Historic Storage Levels

Storage Level	Date	Level (m AHD)	Volume (ML)	Capacity (%)	Surface Area (ha)
Storage as at	30-Jun-11	40.00	776,854	100.00	6,791
Level One Month Ago	31-May-11	40.03	778,900	100.26	6,791
Level One Year Ago	30-Jun-10	38.84	700,870	90.22	6,325
Level Two Years Ago	30-Jun-09	33.36	411,331	52.95	4,269
Level Three Years Ago	30-Jun-08	33.49	416,913	53.67	4,309
Lowest Level	4-Feb-03	20.84	57,803	7.44	1,298
#Pre Cyclone Beni					
#Post Cyclone Beni	16-Mar-03	34.96	484,074	62.31	4,842
2nd Lowest Level	03-Feb-08	29.11	253,372	32.62	3,204
#Post Cyclone Oli	01-Apr-10	39.21	724,527	93.26	6,466
FSL and Overflow of 40 metre spillway	12-Dec-10	40.00	776,854	100.00	6,779
Highest Level	28-Dec-10	44.09	1,089,510	140.25	8,615

The period for which the full Dam will be able to supply current and projected demands is dependent upon on future inflows and actual demand. Nevertheless, even using assumed future inflows consistent with the worst three (3) year sequence in

recorded history (2004-2007), as GAWB does for risk management planning purposes in its Drought Management Plan, GAWB would not be required to impose restrictions on its supply of water from Awoonga Dam at the end of this period.

REVIEW CONTINUED

WATER QUALITY

GAWB monitors water quality for a number of different purposes, including environmentally relevant activities (ERA's) and the Resources Operating Licence (ROL). GAWB has undertaken significant work in the past 12 months to review its environmental licences with an outcome for increased monitoring requirements.

GAWB undertook a detailed drinking water quality risk assessment, addressing risks from the Lake Awoonga catchment to customer supply points. This forms the basis of its Drinking Water Quality Management Plan (DWQMP). A significant body of work was undertaken across the business to bring together information for the DWQMP. Officers of the OWSR attended site on April 2011 for a preliminary review of the DWQMP, with encouraging feedback. The DWQMP was submitted for approval in May 2011.

The identification of risks and mitigation strategies, both in the development of the DWQMP and through the Water Improvement Panel, has seen continued performance improvements throughout the network, particularly in the reliability of online disinfection monitoring systems, the reaction time for operational responses and co-ordination of the multiple stakeholders involved in planning for and delivering safe drinking water.

GAWB has a comprehensive monitoring program for water quality in Lake Awoonga, which has shown good water quality in Awoonga. GAWB monitors aesthetic and health parameters for potable water against the National Health and Medical Research Council's Australian Drinking Water Guidelines. Water quality results and incidents are reported as per the WSSRA, as well as in accordance with GAWB's Performance Plan.

OPERATIONS AND ASSET MANAGEMENT

In the past 12 months GAWB's operations and asset management team have continued to build on the foundations of the improved telemetry system and Supervisory Control and Data Acquisition (SCADA) technology to achieve efficient and effective operations of its raw and potable water networks.

GAWB has significantly progressed its operations and maintenance capabilities through further development of the asset maintenance system, which, in conjunction with the previous in-sourcing of water treatment plant operators, electrical and mechanical maintenance crews, has seen greater efficiency in resource allocation. A major component of this work will continue to include asset information capture and condition assessment, the quality documentation of standard operating procedures and improvements in data output from the SCADA system.

GAWB has also continued to develop process change control mechanisms, through its event management system, which captures the reasoning behind process change. The water treatment team has also been testing a Permit to Trial (PTT) method, to ensure major

process trials are conducted with consultation and consensus between stakeholders, information capture is suitable for the application and to ensure results are disseminated appropriately. This has proved very successful and will be rolled out officially in the coming year.

GAWB conducted a number of complex maintenance activities over the last 12 months, none more challenging than the refurbishment of the intake tower valves at Awoonga Dam. Such a complex task took months of planning, scheduling and coordination by the various maintenance teams and contractors to deliver such a high risk program of work. This coordination required management from the catchment to the tap while engaging with key stakeholders and customers to keep them appraised so they could manage demand during the scheduled shut downs.

Recreational activities within the dam precinct have continued to grow over the year. Key initiatives around pest management of both water and land based pests have been a key focus of the recreation area since the dam spilling event in December 2010.



REVIEW CONTINUED

LAND MANAGEMENT

Tenure Management

GAWB owns and manages significant land holdings in the Boyne Valley (about 30,000 hectares) to support its current water supply activities. GAWB is implementing a comprehensive land management approach which includes the disposal of excess land, moving toward a single freehold land parcel for the water storage/lake area.

GAWB's ongoing approach to its land holdings in 2010/11 continued with the identification of:

- » Land holdings owned or managed by GAWB which can prudently be regarded as surplus under GAWB's *Land Management Policy* will be disposed of whilst fulfilling the requirements of section 580 of the Act and other undertakings to the Minister.
- » Land which may be required to support existing or additional water supply/delivery initiatives and securing access or title as appropriate.

GAWB is a provider of recreational facilities in the Boyne Valley which are well utilised by locals and visitors. These facilities are provided free of charge and due to strong demand at the Boynedale Bushcamp, this facility was extended in area with additional toilet and shelter established.

GAWB has two main recreational agreements in place - a caravan park lease and a licence for the operation of Lake Awoonga Houseboats. GAWB also provides licences for several fishing charter operators and has leases in place with three community groups. In line with the regulatory framework GAWB operates within, GAWB regularly monitors the ongoing appropriateness of the levels of expenditure associated with the provision of recreational facilities.

GAWB also supports the Cluden Wildlife Management Unit with the provision of facilities on GAWB's estate in the Boyne Valley for the rehabilitation of sick, injured or orphaned native animals.

Land Transactions

Acquisitions and disposals of land identified in the Lake Awoonga Land Rationalisation project as having strategic value to GAWB to fulfil its *Land Management Policy* and to comply with the *Land Act 1994 (Qld)* are being progressed. GAWB is also investigating the option of securing freehold estate from the State for land upon which GAWB has critical infrastructure.

Vegetation Regeneration Project

GAWB continued with the Vegetation Regeneration Project which is an EIS requirement (from the 2002 Awoonga Dam raising) to regenerate and protect 300 hectares of land classified as supporting endangered ecosystems. Department of Employment, Economic Development and Innovation (DEEDI) reports show the project has progressed well with excellent survival and growth rates being achieved. Flora and fauna survey have confirmed the increasing diversity and habitat complexity of the sites over time. GAWB has entered into a further three year contract with DEEDI by which time the vegetation regeneration project will have achieved the required goal of remnant status with significant habitat value.

Weed and Pest Animal Management

GAWB is currently developing a Weed and Pest Animal Management Plan for the land owned and managed in the Boyne Valley supporting Lake Awoonga. GAWB actively participates in 1080 baiting program for the control of wild dogs and pigs and has achieved good outcomes with the engagement of a wild pig harvesting contractor.

Agistment Management

GAWB continues to use best land management practice for grazing and works closely with neighbours and agistees. Cattle stock-takes are regularly performed ensuring adequate ground coverage is maintained.



REVIEW CONTINUED

Catchment Management

The focus of GAWB management of its holdings is to achieve an appropriate balance in commercial, water quality and environmental outcomes. The main risks for the raw water quality in Lake Awoonga are the land uses and environmental features of the upper Boyne River catchment over which GAWB has limited control.

GAWB is an active member of the Fitzroy Basin Association's Boyne-Calliope Sub-region which promotes neighbouring land-holder activities that improve/sustain water quality, riparian fencing and off-stream watering points for cattle.

Fire Management

GAWB has in place both a Bush Fire Management Plan and Wildfire Emergency Procedure which contributes to proactively managing and mitigating the risk and impact of fires to the public, staff and GAWB business.

Several GAWB officers are active fire fighters or support members of the Lake Awoonga Rural Fire Brigade. GAWB has a scheduled approach to fuel load reduction through a planned prescribed burning regime. Additionally GAWB has the capacity to respond to wildfires on or threatening GAWB's estate in the Boyne Valley.

FISHERY MANAGEMENT

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

GAWB also collected new barramundi broodstock to replace current stock. This was to ensure continuity of hatchery spawning activities, whilst contributing to the genetic diversity of the Lake Awoonga population as a precautionary strategy in the event of fish exiting the lake during a spill event. Furthermore, this collection action limits the environmental effects of such an event with Lake Awoonga fish interacting with wild spawning populations. During 2010/11 GAWB produced 670,000 fingerlings of which 460,000 were sold to restocking groups and aquaculture ventures in the region.

During the year 207,000 barramundi fingerlings ranging from 55mm to 120mm in length were released into Lake Awoonga, bringing the total stocking to date to 3.48 million. No fingerlings from other prescribed species were released into the lake during they year.

During the spilling event over the Christmas / New Year period, an estimated 20,000 fish, mainly barramundi, went over the spillway. An estimated 10% to 20% of these fish failed to survive the spillway fall which compares more than favourably with similar incidents; the balance has provided a fishing *drawcard* for anglers downstream in the Boyne Valley. Barramundi captures in the lake have become more frequent since May 2011 by local and visiting recreational fishermen, steadily re-establishing Awoonga Dam as a premier impoundment fishery.

GAWB regularly monitors the ongoing appropriateness of the levels of expenditure associated with the operation of the hatchery and is finalising the Fishery Management Plan to assess how best to comply with its obligations to stock the lake and to identify the strategy for achieving this. In conjunction with this, GAWB has also engaged CQ University to study the effects of varying lake levels on food supplies for fish within Lake Awoonga.



REVIEW CONTINUED

COMMERCIAL RESULTS

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

FINANCIAL

GAWB earned a profit of \$5.859 million after tax equivalents for the year ended 30 June 2011 (2010 loss of \$7.056 million).

Full year sales totalled \$42.465 million (41,078 ML) (2010: \$28.151 million (47,188 ML)) and higher than the target for the year of \$39.573 million (48,023 ML).

Net cash generated by operating activities totalled \$13.256 million, (2010 \$3.441 million). Overall, GAWB's cash position increased by \$9.08 to \$17.588 million at 30 June 2011.

Capital expenditure (excluding CSS of \$1.5M and Curtis Island Pipeline of \$4.3M) for the year totalled \$9.6 million, principally in relation to upgrade of flow meters at Fitzsimmons Street, Dam Safety Compliance work at Awoonga Dam and construction of the Fisherman's Landing Pipeline and associated infrastructure.

Total equity has increased by 6.5% to \$248.154 million at 30 June 2011 (\$232.823 million at 30 June 2010). Additional borrowings of \$10.43 million were drawn down during the year and repayments amounted to \$3.92 million. GAWB's debt/equity ratio has remained at 37% as at 30 June 2011.

PRICING AND CONTRACTUAL FRAMEWORK

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

GAWB's standard form water supply contract incorporates pricing practices that are consistent with the recommendations by the QCA (over the course of its various investigations) that have been accepted by the QCA Ministers'.



REVIEW CONTINUED

CORPORATE CITIZENSHIP

GOAL: To be regarded as a responsible corporate citizen

SAFETY

GAWB recorded 2 lost time injuries (LTI) in relatively quick succession during the year, which ended its period of 847 Lost Time Injury (LTI) free days. GAWB believes that this extended period is worthy of note and is attributable to both its culture and work systems. Whilst noting this, GAWB is nevertheless dedicated towards achieving its goal of no LTI's.

Preparations have commenced to complete a full review of GAWB systems to ensure compliance with the new National OHS laws due 1 January 2012. It is the aim that on the go live date GAWB will be in a position to comply with these laws. This will involve procedural updates, education about due diligence and the various other changes in the new legislation.

ENVIRONMENTAL RESPONSIBILITY

GAWB has been compliant with regard to environmental legislation and standards with regard to the Resource Operations Licence relating to monitoring, reporting and release requirements with no breach notices being received.

GAWB continued its sponsorship of the Port Curtis Integrated Monitoring Program (PCIMP) as coordinated by the CQU Centre for Environmental Management. GAWB has maintained its membership of the Gladstone Area Promotion and Development Limited, local pest management groups, rural fire brigade including management of the Lake Awoonga Rural Fire Brigade and representation of the Fitzroy Basin Association.

Expenditure on activities of a "good corporate citizen" nature during the 2010/2011 financial year principally comprised sponsorships of community activities in the Gladstone Region totalling \$36,355. The major component of monies expended included sponsorship of the PCIMP Water Quality Monitoring (\$21,125), Seafood Festival Sponsorship (\$9,000), Carbon Emissions Offset (\$2,050) and Bass to Barra (\$2,000).

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

COMMUNITY RELATIONS

During the year, GAWB received 3 community complaints in relation to GAWB's service/product. These complaints were investigated expeditiously with actions resulting in a satisfactory outcome for both GAWB and the community.



REVIEW CONTINUED

CAPABILITY

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

PEOPLE AND CULTURE

GAWB achieved a staff retention rate for the year of 88% which is calculated as the percentage of permanent staff at 30 June 2011 divided by the same number of permanent staff at the beginning of the year – 1 July 2010. For clarity, GAWB was able to engage replacement staff for the positions that had been vacated during the year or where necessary as part of the efficiency review for operating expenditure, reshape existing roles to meet the requirements of the business.

The continuing demand for suitable employment resources in the Gladstone region due to industrial growth (most notably the LNG plants to be constructed on Curtis Island) is an area of focus for GAWB management to ensure staff retention.

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 as necessary.

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

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

HEALTH AND WELL-BEING

GAWB has implemented work-life balance initiatives to promote a healthy work environment, promote family and quality of life. Initiatives have been the Employee Assistance Program (EAP) promoting emotional wellbeing and Wellness Program promoting physical wellbeing. Activities have involved the 10,000 steps program and a subsidy for activities promoting physical fitness.

EMPLOYING OFFICE

As required by amendments to the Act on 6 November 2008, pursuant to section 625 of the Act, an Employing Office was established. The Employing Office represents the State and it is intended to consist of an executive officer (expected to be the CEO of GAWB) and staff (current GAWB employees). The establishment of the Employing Office has provided for the proposed transfer of GAWB's existing staff to the new entity should the staff accept the invitation to do so. Currently, there has not been any transfer of staff to the employment office and the established entity is dormant.

SYSTEMS AND KNOWLEDGE

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

To achieve further efficiencies, during 2010/11 GAWB intends to focus on the better integration of work processes and functions. The strategic importance of this focus is intended to align GAWB's operations with best practice in the industry as is appropriate for GAWB's regional circumstances.

REVIEW CONTINUED

INFORMATION AND COMMUNICATION TECHNOLOGIES

GAWB has consolidated its usage of current technology within operations to assist in achieving optimal efficiencies. In 2010/11 ICT mainly focussed upon gaining maximum return from previously installed software and technologies through education of staff in their usage plus configuration enhancements to achieve as near to best practice as practicable. The increase in maturity of GAWB's network systems will be an ongoing focus for several years.

New initiatives were of a more technical nature - a transition between different desktop technologies, and preparatory works for a dedicated split data centre between multiple GAWB sites. The completion of these projects culminating in the delivery of a network with advanced capability and robust disaster recovery will be the priority for 2011/12.

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 GAWB's key goals.

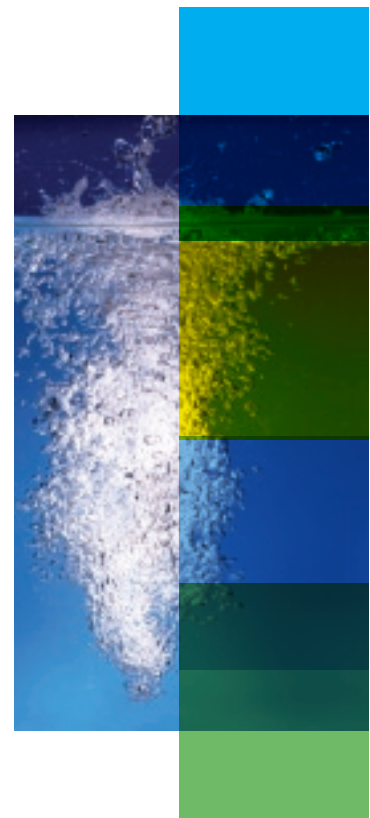
Senior Management review GAWB's Risk Register and report to the Chief Executive Officer on a monthly basis regarding significant risks, GAWB's risk exposure and the mitigation of any risk that may/will arise. CURA risk management software is used to assist with the compliance for risk management reporting.

DIRECTIONS, NOTICES AND OTHER STATUTORY REQUIREMENTS

During the year ended 30 June 2011:

A modified Performance Plan for 2010/2011 was submitted on the 10 April 2011 to include the effect of the QCA recommendations on GAWB financial forecasts. There were no other amendments required to be made to the 2010/2011 Performance Plan.

GAWB has not received any directions or community service obligation notices.



GOALS FOR 2011-2012

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

Meeting water needs

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

Each of the four business goals is supported by a number of key performance measures and business improvement projects and initiatives that are set out in GAWB’s 2011/12 Performance Plan.

Commercial results

Commercial results to ensure GAWB’s profitability and build the value of the business.

Key initiatives for the 2011/12 year include the finalisation of GAWB’s input to DERM’s review of the Water Resource Plan; implementation of the requirements of the Drinking Water Quality Management Plan and planning for dam safety license works.

Corporate responsibility

Corporate responsibility to be regarded as a responsible corporate citizen.

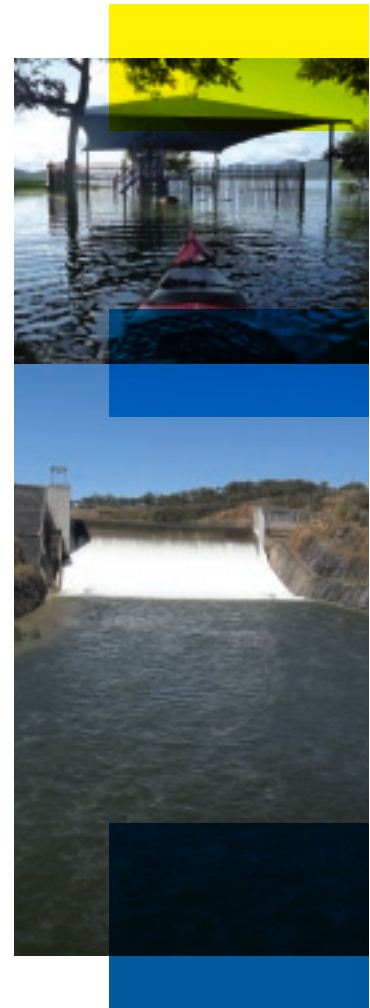
In addition to this, GAWB will extend its delivery network to meet the water supply requirements of the liquefied natural gas (LNG) proponents on Curtis Island.

Capability

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

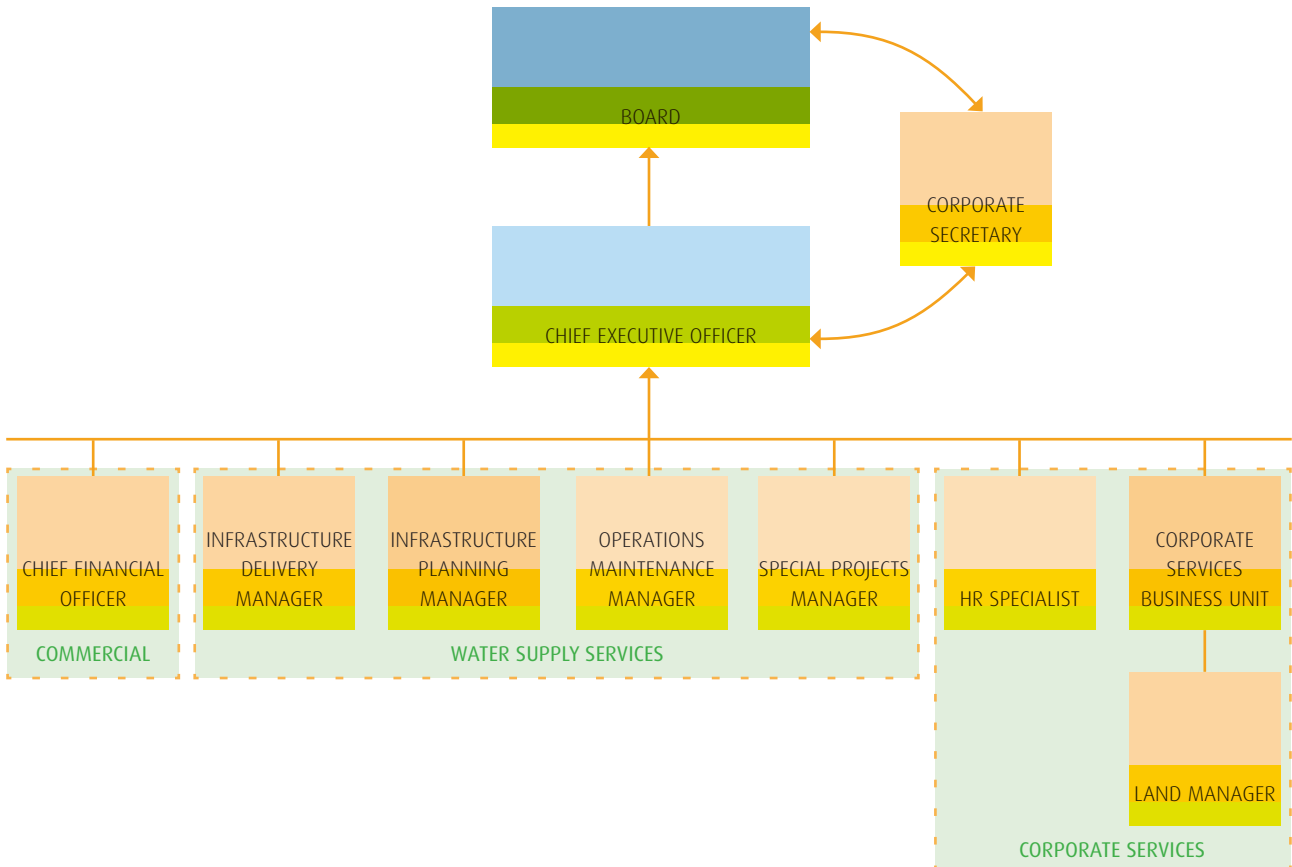
The outcomes of the price investigations in 2009/10 and the acceptance of these recommendations by the Ministers in December 2010 required the investigation of several efficiency-saving considerations within GAWB. One of these is the assessment of opportunities, in conjunction with GRC, to align water services operations that will achieve efficiencies and improve outcomes for GAWB, GRC and the region.

GAWB will continue to progress works that ensures its core business of storage, management and supply of water is undertaken in an efficient and responsible manner.



GOVERNANCE

ORGANISATIONAL STRUCTURE



EXECUTIVE MANAGEMENT



Jim Grayson LLB, LLM, ACIS, Post Grad Dip Comm.
Chief Executive Officer

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



Anthony Ottaway CA B.Bus (Acct), Grad Cert Forensic Studies (Acct)
Chief Financial Officer

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

GOVERNANCE CONTINUED



Terry Ward B. Eng (Civil), Grad Dip. Management, M. Eng (Water & Environment), RPEQ, MIE Aust, CPEng
Infrastructure Delivery Manager

Terry joined GAWB as Infrastructure Delivery Manager in March 2011. Prior to joining GAWB, Terry had worked since 1996 for Aurecon (formerly Connell Wagner). His work was concentrated primarily in the investigation and design of water related infrastructure for industrial sites in Gladstone and mining projects throughout Central Queensland. His previous involvement with GAWB included hydrological modelling and design of a pipeline extension.



James Stewart B. Eng (Mech); Dip. Project Management, RPEQ
Infrastructure Planning Manager

James joined GAWB as Engineering and Projects Manager in June 2006 and became Operations Manager in December 2008 and Infrastructure Planning Manager in March 2011. Prior to joining GAWB, James worked in local process, fabrication and construction industries and consulting engineering services since 1978. His previous involvement with GAWB included the raw water system augmentation and pump station upgrade during 1998 – 2000 and a further upgrade of the pump station in 2001/02.



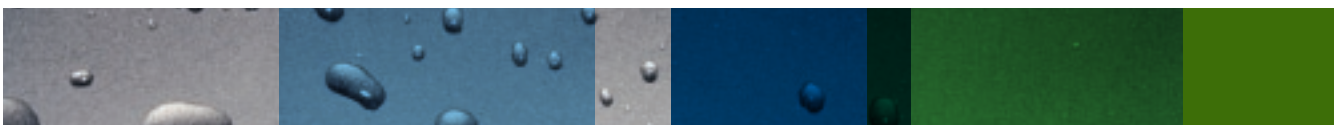
Dean Tappin
Operations and Maintenance Manager

Dean joined GAWB as an Asset Management Officer in October 2005. Dean has over 20 years experience in the water and waste water industry. His experience includes the operation and maintenance of water and waste water treatment plants, reservoirs, major pipelines, pumping stations and allied water infrastructure. Dean currently leads the Operations and Maintenance Team in the distribution, treatment, storage and delivery of bulk Raw and Potable waters. Prior to joining GAWB he worked in local government in a similar capacity.



Richard West B. Eng (CIVIL) GRAD Dip. Engineering Maintenance Management; Registered Professional Engineer of Queensland
Special Projects Manager

Richard joined GAWB as an Engineering Specialist in March 2008. Richard has over 25 years experience in the water industry which includes the design, construction, operation and maintenance of dams, weirs, major pipelines and pumping stations and allied water infrastructure. Prior to joining GAWB he worked with the Department of Natural Resources and Water and SunWater.



GOVERNANCE CONTINUED



Hellen Ryan B.App.Sci(Psych), Grad.Dip.Mgt(HRM), Dip.Mgt(Hospitality), AHRI Human Resources Specialist

Hellen joined GAWB as the Human Resources Specialist in January 2011. For the last 2 years she was HR Manager with the Bundaberg Regional Council, prior to which has been HR Manager and Assistant Manager in the hospitality industry for 16 years (Capricorn International Resort, Dunk Island Resort, Hervey Bay RSL). During this time she has consulted on HR issues to other Clubs and QLD Parliament House (Catering Operations). Prior to this she was an Academic Tutor for faculty of Business at CQU Rockhampton and live-in Resident Fellow for Capricornia residential college.



Gary Larsen (JP Qualified) Corporate Services Unit Manager/Corporate Secretary

Gary joined GAWB as Corporate Secretary in May 2006. In October 2010 he assumed the role of Corporate Services Unit Manager for which he is responsible for the areas of legal, land, ICT, compliance, governance, risk, procurement, records management and HR oversight.

Prior to coming to GAWB, Gary worked as a Salaried Partner in a Gladstone Chartered Accounting Practice. Gary has been involved with local private accountancy firms since 1985 and has gained experience in compliance issues and business practices. His roles included management of staff matters, business growth/improvement and policy development.



Brett Nicholls Land Manager

After graduating as a Cartographer, Brett progressed his career through the Titles Office and eventually into the administration and management of State land in which he held many senior roles and ultimately a state-wide managerial position. After 26 years of service to the State government, Brett commenced with GAWB as the Land Manager in 2007. His primary role was to resolve the land tenure issues associated with Lake Awoonga, which has evolved to encompass cattle agistment, fire and pest management along with all aspects of property maintenance. Brett is GAWB's liaison for native title and cultural heritage dealings on all land related matters and is involved with many land matters external to the Boyne Valley.

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 *Water Act 2000*.
- » Reviewing performance and remuneration of executive management.
- » Reviewing the risk management and internal control framework.

The Chief Executive Officer 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 process, an assurance program and a code of conduct incorporating appropriate ethical standards.

To assist the Board in discharging its functions and allow a more detailed analysis of the specialised areas of finance, risk, audit, employment and remuneration, and capital works it has established 3 committees to provide oversight of these matters on its behalf. Each committee is governed by a Charter and reports to the Board following Committee meetings.

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

COMPOSITION OF THE BOARD

Under the Act, seven Directors may be appointed for terms of up to four years by the Governor in Council, with four of these Directors being nominated by the Gladstone Regional Council, as outlined in section 599 of the Act. The Chief Executive of the Department of Environment and Resource Management nominates the remaining three positions of which one must be the Board's Chairperson.

Section 605 of the Act outlines the term of office for Directors of GAWB. Section 605(2a) states that the Director continues holding office after the Director's terms ends until a successor is appointed.

CONFLICTS OF INTEREST

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

BOARD PROCESSES

The Board of Directors of GAWB meets on a monthly basis and more regularly as circumstances require. During 2010/11 the Board met on 17 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 Chief Executive Officer and Corporate Secretary. The Corporate Secretary ensures that

the Board receives papers for Board and Committee meetings in advance of each meeting and attends at each meeting to record minutes.

AUDIT AND RISK MANAGEMENT COMMITTEE (ARM)

The ARM 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 the Queensland Treasury's Audit Committee Guidelines. The Committee conducts a review of its processes and performance against its Charter to ensure that it has carried out its functions in an effective manner.

The role of the ARM Committee is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to GAWB's:

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

During the 2010/11 reporting year, the ARM Committee comprised of Ms Boydell (Chairperson) and Cr Butler. Director

BOARD AND COMMITTEES CONTINUED

Dinte served the Committee for the period 29 July 2010 – 30 September 2010 at which point Ms Hodge was appointed to the Committee.

The ARM Committee meets quarterly and otherwise as required and met on seven occasions during the year. The CEO, other senior executives, external auditors and internal auditors are invited to attend ARM meetings at the discretion of the Committee.

INTERNAL AUDIT

Internal Audit's responsibilities are influenced by the governance arrangements established by GAWB and the existence of other separate functions with specific responsibility for some of these matters. The role of Internal Audit is to provide independent, objective assurance and advice designed to add value and assist GAWB in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the appropriateness and effectiveness of risk management and internal control. Internal audit is a fundamental part of corporate governance that ensures that the organisation operates effectively, efficiently and economically. The ARM acts as a forum to oversee the planning, performance and reporting of the Internal Auditor.

The ARM is responsible for the preparation of Terms of Reference for the engagement of an external/outsourced Internal Auditor, the evaluation of proposals, and recommendations for appointment of an Internal Auditor by the Board. The ARM is to oversee the preparation of the Internal Auditor's program and plan, its reporting procedures and budgets with a view to their recommendation to the Board for approval. Internal Audit activity during the year included:

- » Projects management (Asset management system).
- » Land management.
- » Revenue and Debtor Management.

- » IT systems – upgrades, new systems.
- » IT Disaster Recovery, Business Continuity and crisis management planning.
- » Payroll.

The ARM reviewed the findings of the Internal Auditor and actions proposed to be taken by Management, including an assessment of the overall cost effectiveness of any action. The internal audit contractor (KPMG) met with the ARM committee on four occasions.

NOMINATION AND REMUNERATION COMMITTEE (NRM)

The Board has approved a Charter for the NRM which details the responsibilities of the Committee on matters concerning:

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

At the commencement of the 2010/11 reporting year, Cr. Sellers fulfilled the role of Chairperson until her resignation on 17 December 2010. Committee members Mr Mulheron and Cr Cameron have served the Committee for the full reporting year with Cr Cameron being appointed as Chairperson with effect from 14 March 2011 and Mr. Dinte

as member of the Committee from 14 March 2011. The Committee meets quarterly or as required and met on three occasions during the year.

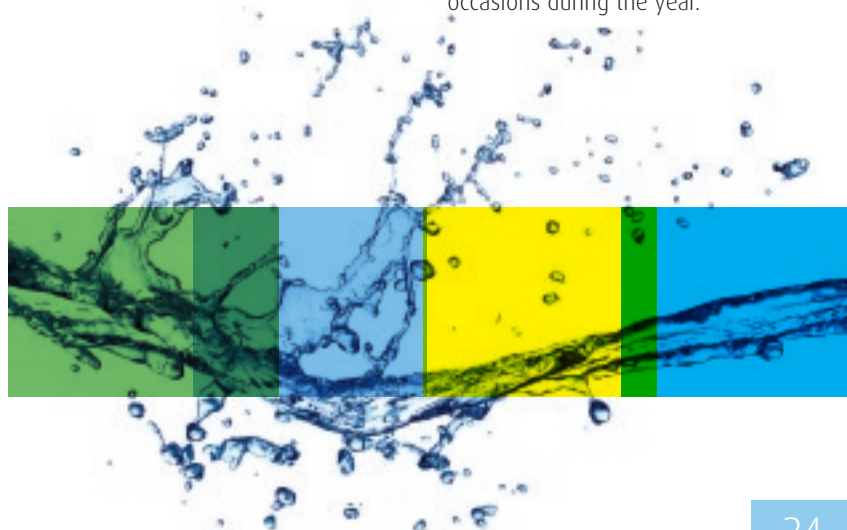
CAPITAL WORKS AND TECHNICAL COMMITTEE (CWT)

The CWT Committee monitors and manages actions arising from external review and internal audit findings on processes related to capital works and technical matters such as the Dam Safety Regulator condition audits, 5 year Dam Safety review, major capital projects and other operational matters as they arise.

The CWT assists the Board in discharging its responsibilities to GAWB by:

- » Reviewing project and technical issues and providing advice to the Board.
- » Making informed recommendations to the board relating to matters concerning water quality issues.
- » Ensuring appropriate monitoring of the capital works program.
- » Oversight of major capital projects;
- » Overseeing the strategic asset management plan.
- » Considering other operational matters as referred.

The Committee comprises Mr Mulheron (Chairperson), Cr Butler and Mr Dinte who have all served the Committee for the full reporting year. The Committee meets quarterly or as required and met on three occasions during the year.



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.
- » To encourage staff to improve their skills and capabilities so as to improve job performance.

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

Benchmarking employment cost rates is both necessary and appropriate for employment positions that can demand premiums in the Queensland market such as construction and engineering roles. GAWB's remuneration position is aligned with the median market rates and in accordance with advice from employment consultants. This positioning is within the parameters of government policy and is considered appropriate for the business requirements.

In setting pay levels, GAWB has adopted a total employment cost (TEC) as the prime comparator for internal communication and external market comparison. GAWB recognises the importance of clear articulation of the pay position in terms of the relevant job reference markets it wishes to compare (and be compared to), in order to ensure that remuneration levels are (and continue to be) set at levels appropriate to GAWB's goals and circumstances and for clarity not in excess of general market median levels in accordance with government directives.

A performance management system is in place that clearly details the link between performance and remuneration. The performance management system is applied for progressing individuals through each grade in the classification structure. Managers are required to effectively manage performance and are provided with appropriate training to enable them to do so.

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

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

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

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

Details of key management personnel compensation and senior executives' remuneration are disclosed at note 31 to the Financial Statements.

EARLY RETIREMENT, REDUNDANCY AND RETRENCHMENT

During the 2010/11 year there were no voluntary early retirement packages offered to GAWB's employees and there were no retrenchments or redundancies offered during the year.

CARERS RECOGNITION ACT 2008

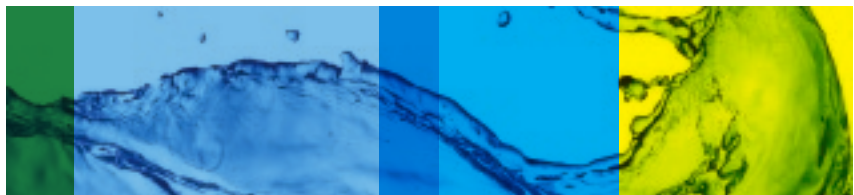
As a Queensland Government Statutory Authority, GAWB has certain obligations under the *Carers (Recognition) Act 2008*. In discharge of its obligations GAWB has placed on its intranet (which is accessible by all staff) a copy of the Carers Charter as set out in the Schedule to this Act. Additionally,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

During 2010/11 GAWB did not make strategic policy or planning decisions which it believed would affect carers. Accordingly, it did not consult with any 'carers representative bodies' concerning such matters in this period.

GOVERNANCE – REPORTING

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

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



GOVERNANCE – OTHER SIGNIFICANT ISSUES

CONSULTANCIES

Category	Unit	2010/11
Management		
Operations	\$000's	113
Total		113
Consultancies awarded by Value		
Less than \$10,000		
\$10,001 - \$100,000		2
More than \$100,000		
Total		2

OVERSEAS TRAVEL

There was no overseas travel undertaken during the 2010/11 reporting year.

CORPORATE HOSPITALITY AND ENTERTAINMENT

The staff annual Christmas function and the management/directors annual function occurred in the month of December. These functions were appropriately managed to ensure adherence with the corporate hospitality and entertainment guidelines and thresholds.

RECORDKEEPING

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

PUBLIC SECTOR ETHICS ACT 1994

The GAWB Code of Conduct gives a shared vision of the general business ethics and acceptable standards of professional behaviour that is expected of officers and employees. The Code of Conduct is based on five ethical principles and covers general behaviour expectations, fraud and corruption responsibilities, including ethics and conflict of interest. Application of these ethical principles assists to further improve GAWB's business and to project an even more positive image of professionalism and integrity to the wider community.

The Code applies to all GAWB Board members and employees.

WHISTLEBLOWERS PROTECTION ACT 1994

During the 2010/11 year, GAWB did not receive or refer any disclosures under Section 28A of the *Whistleblowers Protection Act 1994* and was not required or requested to substantially verify any disclosures.

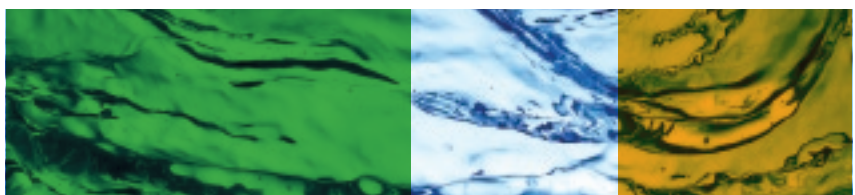
RIGHT TO INFORMATION AND INFORMATION PRIVACY

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)*.

CARBON EMISSIONS

GAWB is committed to reducing pollutants, protecting the natural environment and reducing its carbon footprint. This includes implementing the *Strategic Energy Efficiency Policy* for Queensland Government Buildings, using E10 fuel in the vehicle fleet, reducing run-off by fencing the riparian area where possible, reforestation in the catchment, investigating the inclusion of the assessment of all aspects of energy consumption associated with projected new water sources and proactive pest management and fire strategies.

GAWB participates in the Greenfleet program for the offset of emissions from GAWB vehicle fleet along with contributing to a carbon offset levy with the purchase of any air fares via its travel consulting agency. This results in GAWB being carbon neutral with regard to its vehicle and travel requirements.



FIVE YEAR SUMMARY

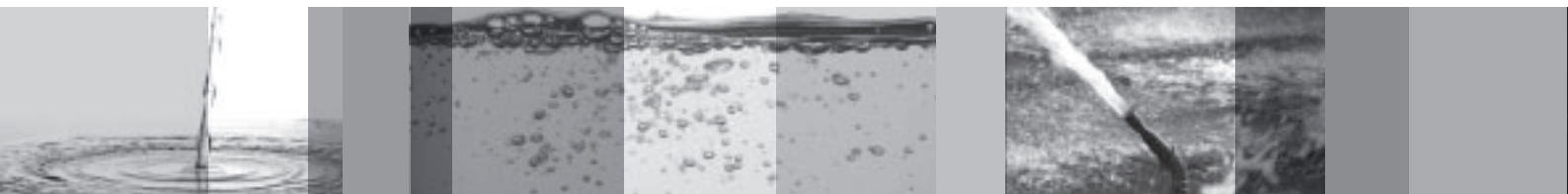
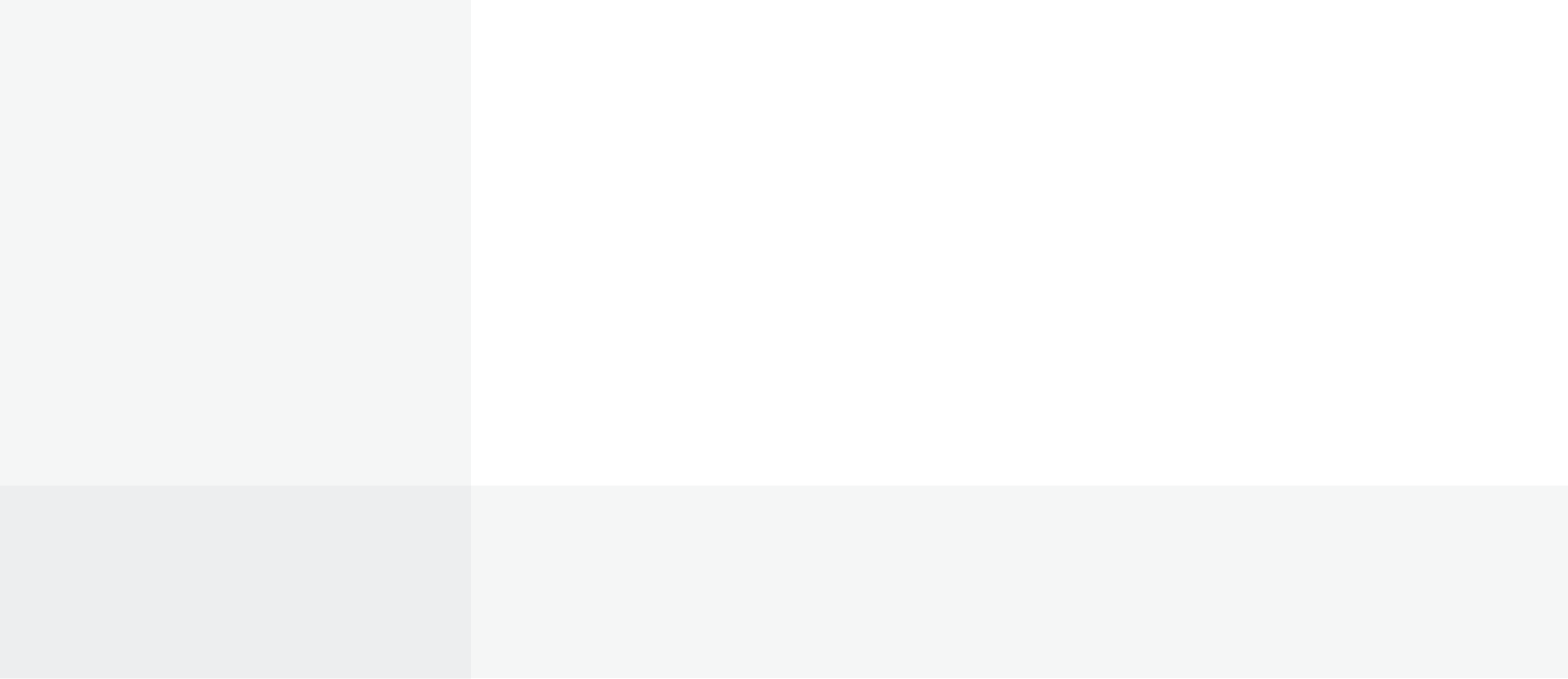
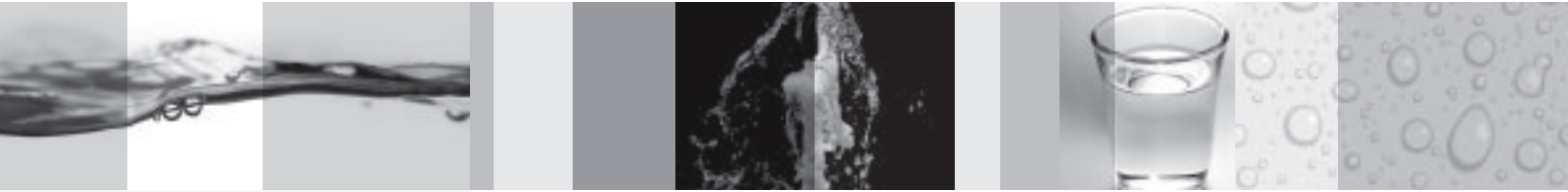
	2007 ³	2008	2009	2010	2011
(megalitres)					
Water Sales					
Untreated Water	42,528	37,256	35,872	36,954	31,861
Treated Water	10,785	9,714	9,995	10,324	9,217
Total	53,313	46,970	45,867	47,188	41,078
(thousands of dollars)					
Water sales revenue ¹	23,124	25,018	28,719	28,151	42,465
Total revenue	25,532	25,503	29,157	28,635	47,078
Depreciation and amortisation	(6,273)	(5,642)	(6,720)	(6,744)	(7,291)
Earnings before interest and tax	5,826	7,997	5,789	(1,856)	19,015
Profit/(loss) before tax	(810)	1,323	(1,884)	(10,293)	8,767
Income tax (expenses)/benefit	(140)	40	557	3,237	(2,908)
Profit/(loss) after tax	(950)	1,363	(1,327)	(7,056)	5,859
(percent)					
Total equity	189,843 ³	191,187	192,433	232,823	248,154
Total assets	358,990	366,242	361,248	421,257	455,063
Borrowings	142,924	138,805	134,970	139,659	146,170
(times)					
Cash from operations before tax	5,885	5,438	6,639	3,200	13,256
Income tax (paid)/refunded	292	(265)	(3,013)	241	-
Cash from operations after tax	6,177	5,173	3,626	3,441	13,256
Cash Flow Capital expenditure	1,983	18,826 ⁴	20,428 ⁴	10,320 ⁴	10,417 ⁴
(percent)					
Return on equity	(0.46)	0.71	(0.69)	(3.32)	2.43
Debt equity ratio	43	42	41	37	37
(times)					
Cash Flow Interest cover ratio	1.63	1.79	1.29	1.37	2.16

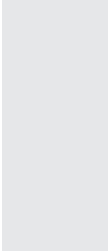
¹ Including connection charges

² Comparative figures have, where applicable, been adjusted to place them on a comparable basis with current year figures.

³ Restated for prior year adjustment

⁴ Capital Expenditure is net of capital subsidies received and includes gross expenditure incurred on CSS (capitalised as intangible asset - refer Note 3(e) of Notes to Financial Statements).





FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$000	2010 \$000
Water revenue		42,465	28,151
Grants and other contributions		154	-
Curtis Island Project contributions		3,943	-
Other Income	5	516	484
Total revenue		47,078	28,635
Labour and on costs		(6,487)	(5,626)
Contracted, professional, technical and other services		(4,267)	(5,947)
Consultants		(113)	(802)
Depreciation	6	(7,291)	(6,744)
Electricity		(1,422)	(1,274)
Insurance		(630)	(577)
Rates		(247)	(326)
Loss on sale of asset		(279)	(25)
Impairment loss		-	(6,372)
Curtis Island Project outlays		(4,305)	-
Contingent Supply Strategy expenditure		(65)	(202)
Other expenses		(2,957)	(2,596)
Total expenditure		(28,063)	(30,491)
Results from operating activities		19,015	(1,856)
Financial income	9	419	179
Financial expenses	9	(10,667)	(8,616)
Net financing costs		(10,248)	(8,437)
Profit/(loss) before income tax equivalents		8,767	(10,293)
Income tax equivalents (expense)/benefit	10	(2,908)	3,237
Profit/(loss) for the year		5,859	(7,056)
Other comprehensive income			
Increase in asset revaluation surplus	11	13,061	66,131
Deferred tax on revaluations	11	(3,589)	(18,686)
Transfer of increments on disposal of assets		-	1
Total other comprehensive income		9,472	47,446
Total comprehensive income		15,331	40,390

The notes on pages 37 to 62 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Issued Capital	Asset Revaluation surplus	Retained earnings	Total Equity
		\$000	\$000	\$000	\$000
Balance at 1 July 2009	11	63,711	117,247	11,475	192,433
Total comprehensive income for the period					
Profit or loss		-	-	(7,056)	(7,056)
Other comprehensive income					
Increase in asset revaluation surplus	11	-	66,131	-	66,131
Deferred tax on revaluations	11	-	(18,686)	-	(18,686)
Transfer of increments on disposal of assets	11	-	(195)	196	1
Total comprehensive income for the period		-	47,250	(6,860)	40,390
Transactions recorded directly in equity					
Equity contributions	11	-	-	-	-
Total transactions with owners		-	-	-	-
Balance at 30 June 2010		63,711	164,497	4,615	232,823

	Notes	Issued Capital	Asset Revaluation surplus	Retained earnings	Total Equity
		\$000	\$000	\$000	\$000
Balance at 1 July 2010	11	63,711	164,497	4,615	232,823
Total comprehensive income for the period					
Profit or loss		-	-	5,859	5,859
Other comprehensive income					
Increase in asset revaluation surplus	11	-	13,061	-	13,061
Deferred tax on revaluations	11	-	(3,589)	-	(3,589)
Transfer of increments on disposal of assets	11	-	(1,097)	1,097	-
Total comprehensive income for the period		-	8,375	6,956	15,331
Transactions recorded directly in equity					
Equity contributions		-	-	-	-
Total transactions with owners		-	-	-	-
Balance at 30 June 2011		63,711	172,872	11,571	248,154

The amounts recognised directly in equity are disclosed net of tax equivalents – see Note 10 for tax equivalent effect.

The notes on pages 37 to 62 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes	2011 \$000	2010 \$000
Current assets			
Cash and cash equivalents	12a	17,588	8,508
Trade and other receivables	13	10,701	3,322
Inventory	14	172	110
Assets held for sale	15	1,158	1,158
Current tax asset	16	-	-
Total current assets		29,619	13,098
Non-current assets			
Property, plant and equipment	6	395,963	380,833
Intangible assets	7	23,570	22,174
Deferred tax assets	24	5,891	5,135
Biological assets	17	20	17
Total non-current assets		425,444	408,159
Total assets		455,063	421,257
Current liabilities			
Trade and other payables	18	8,116	3,540
Loans and borrowings	19	4,403	2,916
Employee benefits	20	572	491
Provisions	21	128	128
Deferred income	22	1,378	465
Current tax liabilities	23	1,633	-
Total current liabilities		16,230	7,540
Non-current liabilities			
Loans and borrowings	19	141,767	136,743
Employee benefits	20	201	128
Deferred income	22	10,354	11,309
Deferred tax liabilities	24	38,335	32,714
Provisions	25	12	-
Other non-current liabilities	26	10	-
Total non-current liabilities		190,679	180,894
Total liabilities		206,909	188,434
Net assets		248,154	232,823
Equity			
Issued capital	11	63,711	63,711
Asset revaluation surplus	11	172,872	164,497
Retained earnings	11	11,571	4,615
Total Equity		248,154	232,823

The notes on pages 37 to 62 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$000	2010 \$000
Cash flows from operating activities			
Receipts from customers		42,740	31,631
Interest received		419	179
Payments to employees		(6,639)	(6,158)
Payments to suppliers and services		(13,024)	(13,688)
Borrowing costs paid		(10,104)	(8,701)
		13,392	3,263
<hr/>			
GST paid to suppliers		(2,498)	(2,768)
GST input tax credits from ATO		2,159	2,652
GST collected from customers		570	520
GST remitted to ATO		(367)	(467)
Total GST		(136)	(63)
<hr/>			
Income taxes (paid)/refunded		-	241
Net cash from operating activities	12b	13,256	3,441
Cash flows from investing activities			
Acquisition of property, plant and equipment		(10,205)	(8,293)
Acquisition of intangible assets		(1,323)	(3,601)
Proceeds from sale of property, plant and equipment		18	69
Capital subsidies received		111	1,574
Security deposits received		713	-
Net cash from investing activities		(10,686)	(10,251)
Cash flows from financing activities			
Proceeds from equity contributions		-	-
Proceeds from borrowings		10,433	8,400
Repayment of borrowings		(3,923)	(3,711)
Net cash from financing activities		6,510	4,689
Net increase in cash and cash equivalents		9,080	(2,121)
Cash and cash equivalents at 1 July		8,508	10,629
Cash and cash equivalents at 30 June	12a	17,588	8,508

The notes on pages 37 to 62 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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 and 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.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are general purpose financial statements, which have been prepared in accordance with the *Financial Accountability Act 2009* and the disclosure requirements of the *Financial and Performance Management Standard 2009*.

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

The financial statements were approved for issue by the directors on 29 August 2011.

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

The financial statements are presented in Australian dollars.

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

(d) Use of estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3(h) - Impairment (of financial and non-financial assets).
- Note 4 - Significant accounting judgements, estimates and assumptions.
- Note 6 - Property, Plant and Equipment (useful lives and revaluation).
- Note 7 - Intangible Assets (useful lives).
- Note 20 - Employee Benefits.
- Note 21 and 25 - Provisions.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

Non-derivative financial instruments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

Investments at fair value through profit or loss

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

Investments at amortised cost

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. These include trade and other receivables and trade and other payables.

(b) Inventories

Inventories include materials kept on hand to repair or replace components of the water supply network.

(c) Assets held for sale

Some of GAWB's land assets were recategorised from non-current property, plant and equipment assets to assets held for sale in the 30 June 2010 financial year as their carrying amount will be recovered principally through a sale transaction instead of use. These assets are initially measured at the lower of their carrying amount and fair value less costs to sell. Any asset write-downs are recognised as an impairment loss, with any subsequent gains recognised against the accumulated impairment losses only.

(d) Property, plant and equipment

(i) Recognition and measurement

All assets acquired, including property, plant and equipment,

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

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

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

(ii) Revaluations

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

valuation is conducted at least every five years. In the intervening years where an income based valuation is not determined, directors assess whether the carrying value differs materially from the fair value by using an indexed approach where the carrying value of the asset is indexed by reference to the annual CPI for the year ending 31 March. Revaluations are brought to account where the existing carrying value differs materially to the current fair value using this income approach.

In 2010, a comprehensive revaluation was undertaken in conjunction with the 2010 QCA pricing review on the basis outlined in Note 4.

For the 2011 year, GAWB has determined valuations using the indexed approach. Where adjustments are required, revaluation increments and decrements are accounted for by asset in the following manner:

- A revaluation increment is credited directly to the asset revaluation surplus except that, to the extent that the increment reverses a revaluation decrement previously recognised as an expense in respect of the asset, the increment is recognised as revenue in the statement of comprehensive income.
- A revaluation decrement is recognised as an expense in the statement of comprehensive income except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the relevant asset, the revaluation decrement is debited directly to the asset revaluation surplus.
- Where a revalued asset is subsequently sold, 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 2011 (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 of property, plant and equipment 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:

	2011	2010
Buildings & improvements	8-60 years	8-60 years
Infrastructure assets:		
Dam structure	40-150 years	40-150 years
Pump stations, reservoirs, pipelines and related plant	10-50 years	10-50 years
Minor plant & equipment	3-20 years	3-20 years
Motor vehicles	4 years	4 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

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

(v) Derecognition

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

(e) Intangible assets

(i) Research and development

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

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

The intangible asset represents development costs associated with the development of GAWB's Contingent Supply Strategy (CSS) incorporating the Gladstone to Fitzroy Pipeline Project and participation in the Lower Fitzroy River Infrastructure Project. The objective of the strategy is to develop and retain the capability to quickly and efficiently respond to reasonably foreseeable risks to the adequacy of current water supplies, either through drought or demand. GAWB considers 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 3 to 9 years but is not yet available for use. The intangible asset is amortised once it is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. At 30 June 2011 it is considered that the asset is not yet capable of operating in the manner intended by management as although GAWB received Environmental Impact Statement (EIS) approval for the Gladstone to Fitzroy Pipeline project from the Queensland Government Coordinator-General on 2 February 2010, in accordance with the bilateral agreement with the Commonwealth, the Coordinator-General's report has been provided to the Commonwealth Minister for the Environment, Heritage and the Arts and is awaiting final approval.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

(f) Biological assets

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

(g) Leased assets

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

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

(h) Impairment

(i) Financial Assets

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

In addition to an allowance account for specific provisions against individually significant financial assets GAWB also makes a collective allowance on

portfolios of similar assets that are individually insignificant, for impairment losses that have been incurred but not yet identified. On confirmation that the financial asset will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

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

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

event reduces the impairment of an available for sale debt security the impairment loss is reversed through 'Provisions for losses on loans and advances and impairment of investment securities' in the statement of comprehensive income. When a subsequent event reduces the impairment of an available for sale equity instrument the impairment loss is reversed through equity.

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

(ii) Non-Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

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

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

(i) Employee benefits

(i) Short-term benefits

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

(ii) Other long-term employee benefits

GAWB's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the

current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximately equivalent to the terms of GAWB's obligations.

(iii) Superannuation contributions

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

(j) Provisions

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

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

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

(k) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer,

recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Water sales and connection charges

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

Other revenue

Rent and lease income are recognised when there exists a right to receive the income.

(ii) Services

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

(l) Lease payments

Payments made under operating leases 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(m) Finance income and expense

Finance income comprises

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

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

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(n) Income tax

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

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

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

temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable equivalent profit, and differences relating to investment in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax equivalent is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

(o) Goods and services tax

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

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

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

(p) 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

All new standards and interpretations issued and effective for the 30 June 2011 financial year have been reviewed and are considered to have no impact on the financial statements.

(ii) New standards and interpretations not yet effective

The following standards, amendments to standards and interpretations have not been applied in preparing this financial report.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 2009 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 are applicable for reporting periods commencing on or after 1 January 2013. AASB 9 amends the classification, recognition and measurement of financial assets and liabilities. GAWB is yet to assess the impact of this amending standard.

AASB 1053 Application of Tiers to Australian Accounting Standards and amending standard AASB 2010-2 Amendments to Australian Accounting Standards arising from reduced disclosure requirements are applicable for reporting periods commencing on or after 1 July 2013. AASB 1053 allows entities to adopt Reduced Disclosure Requirements (RDR). Queensland Treasury requires Statutory Bodies captured within whole-of-government financial reporting to apply tier 1 requirements, which do not

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

allow for reduced disclosure requirements. This includes GAWB and therefore it is expected that this standard will have no impact.

AASB 1054 Australian Additional Disclosures and amending standard AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* are applicable for reporting periods commencing on or after 1 July 2011. AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – reduced Disclosure Requirements* is applicable for reporting periods commencing on or after 1 July 2013. These standards summarise the convergence of Australian and New Zealand accounting guidance. GAWB is yet to assess the impact of these amending standards.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* is applicable for reporting periods commencing on or after 1 January 2011 and amends AASB 7 *Financial Instruments: Disclosures*. The amendment reduces risk management disclosures overall. GAWB is yet to assess the impact of this amending standard.

AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* is applicable for reporting periods commencing on or after 1 January 2012. This standard amends AASB 112 *Income Taxes* and formalises the tax effect treatment for the use of investment property and non-depreciable assets e.g. land. GAWB is yet to assess the impact of this amending standard.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel*

Disclosure Requirements applicable for reporting periods commencing on or after 1 January 2013. This standard amends AASB 124 *Related Party Disclosures* to remove the requirement for individual key management personnel (KMP) disclosure requirements. GAWB is yet to assess the full impact of this amending standard.

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

(q) Comparatives

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

(r) Government Grants

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

A grant of \$10 million was received from the

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

(s) Forward Starting Loans

GAWB has entered into Forward Starting Loan (FSL) agreements with Queensland Treasury Corporation (QTC) as outlined at Note 19. GAWB does not recognise the undrawn loan commitments as financial liabilities on the balance sheet as they are not designated as financial liabilities at fair value through the profit or loss.

(t) Change in Accounting Policy

GAWB has changed its accounting policy in respect of the classification of non-current assets held for resale purposes to comply with AASB 5. Blocks of land were identified as being held for sale. These assets, which were previously classified as property, plant and equipment, are now shown as assets held for sale.

This change resulted in the restatement of the following line items for the year ending 30 June 2010:

- Property, plant & equipment was decreased by \$1.158 million; and
- Assets held for sale was increased by \$1.158 million.

Financial report line item/ Balance Affected	Note	Actual 2010 \$000	Correction \$000	Corrected Actual 2010 \$000
Balance Sheet Extract				
Current Assets				
Assets held for sale	15	-	1,158	1,158
Total current assets		11,940	1,158	13,098
Non current assets				
Property, plant & equipment	6	381,992	(1,158)	380,833
Total non current assets		409,317	(1,158)	408,159

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

On 21 December 2010, the Premier and Treasurer (the QCA Ministers) published their decision in relation to the Queensland Competition Authority (QCA) investigation of GAWB's pricing practices for the 2010 Price Review. The QCA Ministers accepted all of the recommendations made by the QCA without qualification. The QCA review of GAWB's pricing practices underpins the pricing framework under which GAWB operates.

(a) Recognition of water sales and connection charges revenue

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

In relation to customers with price transitioning agreements, the difference between the normal pricing contracts and the price transitioning arrangements is recognised as income with an associated receivable recognised at fair value in 2011. A receivable is recognised as GAWB has a contractual right to receive this income over the life of the agreement. In future years, the receivable is to be measured at amortised cost using the effective interest method.

(b) Comprehensive valuation of property, plant and equipment

GAWB undertakes a comprehensive valuation of the asset base, using an income based approach, at least every five years coinciding with the QCA's pricing principles investigation. This approach was applied as at 30 June 2010 using

the following key assumptions and approach:

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

- The future cash flows incorporate an allowance for price rebates provided to certain customers, which generally equates to an amount comprising both return on investment and return of investment for those assets funded by those customers.
- The QCA-recommended pricing methodology sets a constant real price over a 20-year period such that the present value of expected revenue over a 20-year period equals the present value of economic costs. However, there will be an under-recovery in the early years and an over recovery in the later years. Included in the residual value at 30 June 2015 is \$90.2M which represents the cumulative under recovery or future value of the difference between the annual target or building block revenue and the smoothed price cap revenue over the regulatory control period. It is assumed that this amount will be recognised for price modelling purposes at the beginning of the next regulatory period consistent with current regulatory practice.
- Any unrealised capital gains from upwards revaluation of non-current assets are excluded from profit when determining dividend payable for a financial year in accordance with s.660(6)(a) of the *Water Act 2000*.

For the 30 June 2011 revaluation, the movement in March consumer price index (CPI) (Brisbane All groups) of 3.58% was applied to assets held since 1 July 2010 and on hand as at 30 June 2011, consistent with the increase in customer prices and indexation of the regulated asset base (RAB).

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

GAWB has determined that its assets (incorporating property, plant and equipment and intangibles) form a single cash

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

generating unit (CGU), being the business operation incorporating storage, treatment and delivery of bulk water.

The recoverable amount of the CGU has been determined on a value in use basis. As GAWB is a price regulated monopoly business with oversight by the QCA, the value in use has been determined on a 4 year discounted cash flow model, being the regulatory period remaining until the next QCA pricing investigation. As the useful life of assets exceeds the value in use period, a terminal value is used to represent the future cash flows assuming the continuation of current regulatory practices. Where there is uncertainty at the measurement date that the terminal value for an asset can be supported by estimated future cash flows, a probability factor of the future cash flows has been applied to the terminal value.

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

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

The value in use of the CGU for 2010/11 has been calculated after considering the following:

- Revenue cash flows are a result of prices and demand determined in accordance with the pricing practices set out in the QCA 2010 recommendations. Prices used to generate revenue cash flows are based on the prices applicable from 1 July 2011 indexed at the estimated CPI annual increase as used in the current Corporate Plan.
- No terminal value or cash flows have been included

in the CGU value for the component of CSS expenditure that is not allowed to be recovered in customer prices from 1 July 2010 but are being capitalised at WACC until a decision is made on whether or not to construct, at which time the expenditure will either be included in the asset base or written off for pricing purposes.

- The discount rate is the pre-tax WACC rate consistent with the methodology recommended by the QCA. This rate reflects the level of risk free rate and risk premium in the cash flows. The principles for calculating the WACC rate have been independently verified through the pricing review process. The pre-tax WACC rate used in calculating the net present value is 9.53%.
- The present value calculation includes a terminal asset value which represents future cash flows assuming the continuation of current regulatory practices. The terminal value is calculated as the opening RAB value less depreciation plus capital expenditure for replacement of existing assets plus inflationary gain for the 1 July 2010 to 30 June 2015 regulatory control period and results in a terminal value of \$449,153,530 at 30 June 2015.
- Included in the residual asset value at 30 June 2015 is \$90.2M which represents the cumulative under recovery or future value of the difference between the annual target or building block revenue and the smoothed price cap revenue over the regulatory period as outlined in note 4(a).
- GAWB has reviewed the cash flows to be incorporated in the value in use model and has assessed that it is possible

to segregate cash flows relating to the property, plant & equipment from the cash flows relating to the intangible asset. In this instance, the recoverable amount of the property, plant & equipment can be determined separately from the recoverable amount of the intangible asset.

The outcomes of the impairment assessment for the year ended 30 June 2010 resulted in:

- Reversal of an impairment loss of \$43,812,514 that was recognised in the year ended 30 June 2007 in relation to the carrying value of land, buildings and improvements and infrastructure assets; and
- Recognising an impairment in the intangible asset of \$6,772,926 resulting from the difference between the recoverable amount determined of \$12,173,709 against the net carrying value \$18,946,635.

The outcomes of the impairment assessment for the year ended 30 June 2011 resulted in:

- No further impairment loss being recognised in relation to the carrying value of land, buildings and improvements and infrastructure assets; and
- An immaterial impairment loss for the intangible asset that was not recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

5. OTHER INCOME

	2011 \$000	2010 \$000
Lease income, rents and royalties revenue	307	307
Gain on sale of assets	12	25
Other	197	152
	516	484

6. PROPERTY, PLANT AND EQUIPMENT

	Notes	2011 \$000	2010 \$000
Land, buildings & improvements			
Land:			
At directors' valuation		9,205	8,686
Buildings & improvements:			
At directors' valuation		14,334	13,359
Accumulated depreciation		(6,271)	(5,690)
Total land, buildings & improvements		17,268	16,356
Infrastructure assets			
At directors' valuation		452,884	434,520
Accumulated depreciation		(87,562)	(79,684)
Total infrastructure assets		365,322	354,836
Minor plant & equipment			
At cost		2,735	1,875
Accumulated depreciation		(1,573)	(854)
Total minor plant & equipment		1,162	1,021
Motor vehicles			
At cost		20	20
Accumulated depreciation		(6)	(5)
Total motor vehicles		14	15
Assets under construction			
At cost		12,197	8,606
		395,963	380,833

Included within land is land held under lease of \$223 (2010: \$216), land held under reserve \$1,165,488 (2010: \$1,125,203) and state forest land \$99,548 (2010: \$96,107). These parcels of land are restricted in their use. There are no further restrictions on land.

Reconciliation 2010	Land, buildings & improvements \$000	Infra- structure assets \$000	Minor plant & equipment \$000	Motor vehicles \$000	Assets under construction \$000	Total \$000
Carrying amount at 1 July 2009	15,056	294,116	946	17	5,426	315,561
Additions	389	-	2	-	6,337	6,728
Disposals	(61)	(31)	(2)	-	-	(94)
Transfers	352	2,488	317	-	(3,157)	-
Revaluation increment/(decrement)	1,133	21,602	-	-	-	22,735
Depreciation	(494)	(6,006)	(242)	(2)	-	(6,744)
Transfers to Assets Held for Sale	(1,158)	-	-	-	-	(1,158)
Impairment (loss)/Reversal	1,138	42,667	-	-	-	43,805
Carrying amount at 30 June 2010	16,355	354,836	1,021	15	8,606	380,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation 2011	Land, buildings & improvements \$000	Infra- structure assets \$000	Minor plant & equipment \$000	Motor vehicles \$000	Assets under construction \$000	Total \$000
Carrying amount at 1 July 2010	16,355	354,836	1,021	15	8,606	380,833
Additions	8	22	16	-	9,596	9,642
Disposals	-	(272)	(10)	-	-	(282)
Transfers	754	4,346	905	-	(6,005)	-
Revaluation increment/(decrement)	574	12,487	-	-	-	13,061
Depreciation	(423)	(6,097)	(770)	(1)	-	(7,291)
Impairment (loss)/Reversal	-	-	-	-	-	-
Carrying amount at 30 June 2011	17,268	365,322	1,162	14	12,197	395,963

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 & Equipment as these classes have never been re-valued).

Notes	2011 \$000	2010 \$000
Land, Buildings and Infrastructure at Deemed Historical Cost		
Land	6,570	6,365
Buildings	3,586	3,030
Infrastructure	226,882	222,852
Total Cost	237,038	232,247

7. INTANGIBLE ASSETS

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

	Development costs \$000	Total \$000
Balance at 1 July 2010	22,174	22,174
Acquisitions internally developed	1,396	1,396
Balance at 30 June 2011	23,570	23,570

8. AUDITORS' REMUNERATION

Notes	2011 \$000	2010 \$000
Audit services		
Queensland Audit Office		
Audit and review of financial reports	30	47

For the 30 June 2011 audit, the amount quoted for the audit fee was \$29,800.

9. FINANCE INCOME AND EXPENSE

Notes	2011 \$000	2010 \$000
Interest income	419	179
Financial income	419	179
Interest expense	(10,667)	(8,616)
Financial expense	(10,667)	(8,616)
Net finance income and (expense)	(10,248)	(8,437)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

10. INCOME TAX EQUIVALENTS

Notes	2011 \$000	2010 \$000
Recognised in the statement of comprehensive income		
Current tax equivalents expense / (benefit)		
Current year	(1,633)	626
	(1,633)	626
Deferred tax equivalents (expense) / benefit		
Origination and reversal of temporary differences	(1,275)	2,611
	(1,275)	2,611
Total income tax (expense) / benefit	(2,908)	3,237
Numerical reconciliation between tax expense and pre-tax net profit		
Profit / (loss) for the year	5,859	(7,056)
Total income tax (expense) / benefit	(2,908)	3,237
Profit / (loss) excluding income tax equivalents expense	8,767	(10,293)
Income tax equivalents expense / (benefit) calculated at 30%	(2,630)	3,088
Income tax equivalents (expense) / benefit (under) / over provided in prior years	-	(2)
Accounting Impairment	-	120
Non-deductible accounting loss on land disposal	-	-
Prior period correction to retained earnings	(329)	-
Deductible investment allowance	53	33
Non-deductible entertainment	(2)	(2)
	(2,908)	3,237

11. CAPITAL AND RESERVES

Notes	2011 \$000	2010 \$000
Issued Capital		
Balance at 1 July	63,711	63,711
Equity contributions	-	-
Balance at 30 June	63,711	63,711
Asset revaluation surplus		
Balance at 1 July	164,497	117,247
Revaluation increments / (decrements)	13,061	66,131
Deferred Tax on Revaluations	(3,589)	(18,686)
Transfer of Increments on disposal of assets - net of tax	(1,097)	(195)
Balance at 30 June	172,872	164,497

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	4,615	11,475
Transfer of Increments on disposal of assets	1,097	196
Net profit / (loss) for the year	5,859	(7,056)
Retained earnings at 30 June	11,571	4,615

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

12. (a) CASH AND CASH EQUIVALENTS

	2011 \$000	2010 \$000
Cash at bank	1,280	1,057
Deposits at Queensland Treasury Corporation, at call	16,308	7,451
	17,588	8,508

12. (b) RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2011 \$000	2010 \$000
Operating profit/(loss) after income tax equivalents	5,859	(7,056)
Adjustment for:		
Depreciation	7,291	6,744
Impairment Loss	-	6,372
(Gain)/loss on sale of property, plant and equipment	266	1
	13,416	6,061
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(6,066)	1,832
(Increase)/decrease in current tax asset	-	241
(Increase)/decrease in deferred tax assets	(756)	(937)
Increase/(decrease) in trade and other payables	2,831	(2,464)
Increase/(decrease) in deferred tax liabilities	5,621	16,386
Increase/(decrease) in employee benefits	154	119
Increase/(decrease) in tax liabilities	1,633	-
Increase/(decrease) in provisions	12	10
Increase/(decrease) in other liabilities	-	879
Increase/(decrease) in tax re Asset Revaluation surplus	(3,589)	(18,686)
Net cash from operating activities	13,256	3,441

13. TRADE AND OTHER RECEIVABLES

	2011 \$000	2010 \$000
Current		
Trade receivables	4,893	3,009
Other receivables and prepayments	5,808	313
	10,701	3,322

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

	2011			2010		
	Total \$000	Amount Impaired \$000	Amount not Impaired \$000	Total \$000	Amount Impaired \$000	Amount not Impaired \$000
Not past due	3,651	-	3,651	2,561	-	2,561
Past due 30 days	765	-	765	-	-	-
Past due 31 - 60 days	474	-	474	443	-	443
Past due >60 days	3	-	3	5	-	5
Total	4,893	-	4,893	3,009	-	3,009

As at 30 June 2011 GAWB had current trade receivables of \$Nil (2010: \$Nil) that were impaired.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

14. INVENTORY

	2011	2010
	\$000	\$000
Balance at 1 July	110	66
Net increase /(decrease)	62	44
Balance at 30 June	172	110

15. ASSETS HELD FOR SALE

	2011	2010
	\$000	\$000
Balance at 1 July	1,158	-
Carrying amount on reclassification	-	1,158
Carrying amount at 30 June	1,158	1,158

16. CURRENT TAX ASSETS

	2011	2010
	\$000	\$000
Income tax equivalents recoverable		
Movements during the year were as follows:		
Balance at 1 July	-	241
Income tax equivalents paid/(refunded)	-	(241)
Balance at 30 June	-	-

17. BIOLOGICAL ASSETS

	2011	2010
	\$000	\$000
Balance at 1 July	17	9
Net increase due to births (deaths)	3	8
Balance at 30 June	20	17

18. TRADE AND OTHER PAYABLES

	2011	2010
	\$000	\$000
Current		
Trade creditors	1,786	1,489
Accrued audit fees	30	47
Accrued capital works	-	150
Security Deposits	2,170	-
Other accruals	4,130	1,854
	8,116	3,540
Non-current	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

19. LOANS AND BORROWINGS

	2011 \$000	2010 \$000
Current liabilities		
Queensland Treasury Corporation loans - unsecured	4,403	2,916
Non-current liabilities		
Queensland Treasury Corporation loans - unsecured	141,767	136,743

Finance Facilities

GAWB has a working capital facility available through Queensland Treasury Corporation (QTC) to assist in managing short term cash requirements.

Available at reporting date	151,170	140,159
Utilised at reporting date	(146,170)	(139,659)
	5,000	500

Foward Starting Loans

GAWB has entered into FSL agreements with QTC where it agrees to borrow specified amounts in the future at a pre-determined interest rate. The FSL agreements minimise the risk of interest rate movements as the cost of debt being recovered in prices was fixed at 1 July 2010 for the regulatory period. Over the 5 year regulatory period to 30 June 2015, GAWB will draw down a total of \$42.6 million in FSL's.

Total value of FSL's entered into	42,600	-
FSL's drawn down at reporting date	7,700	-
FSL's still to be drawn down at reporting date	34,900	-

Finance lease liabilities

GAWB has no finance lease liabilities.

20. EMPLOYEE BENEFITS

	2011 \$000	2010 \$000
Current		
Liability for long service leave	106	130
Liability for annual leave	466	361
Total employee benefits - current	572	491
Non-current		
Liability for long service leave	201	128
Employee benefits	201	128

Superannuation fund contributions

GAWB makes contributions to superannuation funds (including defined contribution superannuation funds). The amount recognised as expense was \$494,266 for the financial year ended 30 June 2011 (2010: \$402,364).

Workers' compensation insurance premium

The amount recognised as an expense for workers' compensation insurance was \$26,880 for the financial year ended 30 June 2011 (2010: \$18,333).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

21. PROVISIONS

	2011 \$000	2010 \$000
Current		
ILUA liability		
Balance at 1 July	128	118
Increase of provision	-	10
Balance at 30 June	128	128
Total current provisions	128	128

22. DEFERRED INCOME

	2011 \$000	2010 \$000
Current		
Revenue received in advance	1,378	465
	1,378	465
Non-Current		
Revenue received in advance	10,354	11,309

23. TAX LIABILITIES

	2011 \$000	2010 \$000
Current		
Current tax liabilities	1,633	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

24. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Property, plant & equipment	302	-	(38,335)	(34,562)	(38,032)	(34,562)
Intangible assets	1,837	-	-	1,848	1,837	1,848
Trade & other payables	-	-	-	-	-	-
Employee benefits	232	186	-	-	232	186
Revenue received in advance	3,520	3,532	-	-	3,520	3,532
Tax value of loss carry-forwards	-	1,417	-	-	-	1,417
Tax assets / (liabilities)	5,891	5,135	(38,335)	(32,714)	(32,443)	(27,579)

Movement in temporary differences during the year:

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

	Balance 1 July 2010 \$000	Recognised in income \$000	Recognised in equity \$000	Balance 30 June 2011 \$000
Property, plant and equipment	(34,562)	119	(3,589)	(38,032)
Intangibles	1,848	(11)	-	1,837
Trade & other payables	-	-	-	-
Employee benefits	186	46	-	232
Provisions	-	-	-	-
Revenue received in advance	3,532	(12)	-	3,520
Tax value of loss carry-forwards	1,417	(1,417)	-	-
	(27,579)	(1,275)	(3,589)	(32,443)

25. PROVISIONS

	2011 \$000	2010 \$000
Price Differentiation Surcharge	12	-
	12	-

26. OTHER NON-CURRENT LIABILITIES

	2011 \$000	2010 \$000
Security Deposits - non current	10	-
	10	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

27. FINANCIAL RISK MANAGEMENT

(a) General objectives, policies and processes

The Board has overall responsibility for the determination of the entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Chief Executive Officer. The entity's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the entity where such impacts may be material. The Board receives monthly reports from the Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The entity's internal auditors also review the risk management policies and processes and report their findings to the Audit & Risk Management Committee.

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

The net fair value of the economic entity's financial assets and liabilities are equivalent to the total carrying amounts as per the Statement of Financial Position except for the net fair value of Queensland Treasury Corporation borrowings, which is based on market prices.

Financial Instruments	Total Carrying Amount		Net Fair Value	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Financial Assets				
Cash and cash equivalents	17,588	8,508	17,588	8,508
Trade and other receivables	10,701	3,322	10,701	3,322
	28,289	11,830	28,289	11,830
Financial Liabilities				
Trade and other payables	8,116	3,540	8,116	3,540
Interest-bearing liabilities	146,170	139,659	147,405	140,900
	154,286	143,199	155,521	144,440

(b) Credit Risk

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

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

The maximum exposure to credit risk at balance date is as follows:

	2011 \$000	2010 \$000
Trade Receivables	4,893	3,009
Other Receivables (Curtis Island Recoveries, Fisherman's Landing Security Deposits and price transitioning receivables)	5,182	-
	10,075	3,009

GAWB's most significant customer accounts for \$1,214,354 of trade receivables at 30 June 2011 (2010: \$682,320). Further analysis of the credit quality of trade receivables (including an aging analysis and details of impairment (if any)) is included in note 13).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk

Liquidity risk is the risk that the entity may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. Water sales are on a contracted basis to major industrial customers and the local council with payments monitored for compliance with contract terms. It is the Board's policy to maintain cash balances sufficient to cover current operating requirements. This is achieved through cash flow planning using one year and five year forward budgets for operating and capital expenditure. 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:

	2011 \$000	2010 \$000
Credit stand-by arrangements		
Total Facilities	5,000	500
Overdraft	5,000	500
Used at balance date	-	-
Overdraft	-	-
Unused at balance date	5,000	500
Overdraft	5,000	500
Loans		
Total facilities (including Forward Starting Loans)	181,070	139,659
Used at balance date	146,170	139,659
Unused at balance date (comprising Forward Starting Loans)	34,900	-

The Overdraft facility may be drawn down at any time but may be terminated by the financier without notice. Of the loan facilities, \$146.170 million is fully drawn and has a maturity of 21 years. \$34.9 million of the FSL's are yet to be drawn down as at 30 June 2011. The FSL's have a maturity date of 30 June 2015.

Maturity Analysis

2011	Fixed interest maturing in:			Floating interest rate \$000	Non interest bearing \$000	Total \$000	Weighted average interest rate
	1 year or less \$000	1 to 5 years \$000	Over 5 years \$000				
Financial Assets							
Cash and cash equivalents:							
Cash at bank and on hand	-	-	-	1,280	-	1,280	Nil
Deposits at QTC	-	-	-	16,308	-	16,308	5.58%
Trade and other receivables	-	-	-	-	10,701	10,701	N/A
Total				17,588	10,701	28,289	
Financial Liabilities							
Trade and other payables	-	-	-	-	8,116	8,116	N/A
Interest-bearing liabilities	12,552	50,192	196,896	-	-	259,640	5.64%
Total	12,552	50,192	196,896	-	8,116	267,756	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity Analysis (continued)

2010	Fixed interest maturing in:			Floating interest rate \$000	Non interest bearing \$000	Total \$000	Weighted average interest rate
	1 year or less \$000	1 to 5 years \$000	Over 5 years \$000				
Financial Assets							
Cash and cash equivalents:							
Cash at bank and on hand	-	-	-	1,057	-	1,057	Nil
Deposits at QTC	-	-	-	7,451	-	7,451	5.34%
Trade and other receivables	-	-	-	-	3,322	3,322	N/A
Total				8,508	3,322	11,830	
Financial Liabilities							
Trade and other payables	-	-	-	-	3,540	3,540	N/A
Interest-bearing liabilities	13,372	53,490	217,303	-	-	284,165	7.58%
Total	13,372	53,490	217,303	-	3,540	287,705	

The carrying value of financial assets and trade and other payables reasonably approximate their fair value. Interest-bearing liabilities disclosed in the maturity analysis are the contractual undiscounted cash flows of the liabilities in accordance with the requirements of AASB 7 *Financial Instruments: Disclosures* as they represent the amount GAWB is contractually required to pay at maturity of the liabilities. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows.

(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 cash at bank and QTC cash fund deposits is received on variable rates, however these balances are subject to an insignificant risk of changes in value.

The cost of debt and equity that is recovered in customer prices is determined at each five-year price review. GAWB is exposed to the risk of interest rate movements 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 associated with this risk, GAWB has entered into FSL arrangements with QTC.

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	Interest Rate Risk			
		-100 bpts	Equity	+100 bpts	Equity
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
30/6/2011					
Cash at bank	1,280			13	13
QTC Cash Fund	16,308	(163)	(163)	163	163
30/6/2010					
Cash at bank	1,057	-	-	11	11
QTC Cash Fund	7,451	(75)	(75)	75	75

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Capital Risk Management

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

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

It is GAWB's target to maintain its gearing ratio within the range of 35 - 45%. GAWB's gearing ratio at the balance sheet date is shown below:

	2011 \$000	2010 \$000
Gearing ratios		
Net Debt	146,170	139,659
Total equity	248,154	232,823
Total equity and net debt	394,324	372,482
Gearing ratio	37%	37%

There have been no significant changes to GAWB's capital management objectives, policies and processes in the year nor has there been any change in what GAWB considers to be its capital.

28. OPERATING LEASES

	2011 \$000	2010 \$000
Leases as lessee		
Operating lease rentals are payable as follows:		
Not later than 1 year	567	369
Later than one year, but less than five years	490	256
More than five years	-	-
	1,057	625

During the year ended 30 June 2011, \$543,536 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2010: \$344,133).

29. CAPITAL AND OTHER COMMITMENTS

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

	2011 \$000	2010 \$000
Amounts to be expensed:		
Not later than one year	266	222
Later than one year, but less than five years	313	230
More than five years	-	-
	579	452
Amounts to be capitalised:		
Not later than one year	3,771	4,810
Later than one year, but less than five years	-	-
More than five years	-	-
Infrastructure projects	3,771	4,810

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

30. CONTINGENCIES

(a) GAWB has been undertaking preparatory works in relation to the development of infrastructure to meet the water needs of Liquefied Natural Gas (LNG) proponents on Curtis Island. GAWB has undertaken this project in conjunction with Gladstone Regional Council which is responsible for the construction of waste water infrastructure to meet the needs of the LNG proponents. The actual construction of the project is not certain at 30 June 2011 as the commercial arrangements were not yet executed. Execution of these commercial arrangements is an essential condition that must be satisfied before GAWB can commit to construction of the infrastructure. Prior to this execution, the external costs incurred by GAWB on the preparatory works for the project are being met by the LNG proponents.

The commercial arrangements were executed on 29 August 2011. As such the commercial arrangements provide for GAWB to refund to the proponents any of the preparatory costs relating to the water infrastructure development. These costs will be in the order of \$3M and will form part of the cost base of the water infrastructure asset for billing purposes.

(b) GAWB is continuing to progress the finalisation of the commercial arrangements associated with the conclusion of preparatory works on the Gladstone to Fitzroy Pipeline Project. These agreements will support GAWB's ability to efficiently deliver the project when it is required at a future uncertain date. All agreements are contingent upon GAWB exercising its rights which could only occur following commercial and regulatory approval. These agreements relate to matters such as cultural heritage management, land acquisition and the provision of construction services.

(c) The Commonwealth Bank of Australia has issued on GAWB's behalf a bank guarantee for \$24,768.48 as security for a lease on premises at 38 Hope Street, South Brisbane.

(d) The Commonwealth Bank of Australia has issued on GAWB's behalf a bank guarantee for \$50,000 as security for construction of a pipeline within land held by Queensland Rail.

(e) Otherwise there are no other known contingent assets or liabilities.

31. DIRECTOR, KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

The directors of GAWB and the key executive management personnel (KMP) that had authority and responsibility for planning, directing and controlling the activities of the agency during the 2010/11 financial year and during the 2009/10 financial year (for comparative purposes) were:

Position	Responsibilities	Appointment authority	Date appointed to position (Date resigned from position)
Board of directors			
Chairperson - Ms Mary Boydell	Responsible for leading and directing the board, presiding at all meetings attended, for governing the operations of GAWB and reporting and continuous disclosure to the Minister under the <i>Water Act 2000</i> .	<i>Water Act 2000</i> section 599, 600 and 605	29 June 2001
Director - Cr Craig Butler			17 September 2004
Director - Cr Clyde Cameron			14 August 2009
Director - Mr Warren Dinte			1 October 2000
Director - Mr John Mulheron	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 599, 600 and 605	15 December 2000
Director - Ms Amelia Hodge			16 July 2010
Director - Mr Peter Coronos			1 October 2000 (14 August 2009)
Director - Ms Rowena McNally			2 November 2007 (4 June 2010)
Director - Cr Gail Sellers			17 September 2004 (17 December 2010)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

31. DIRECTOR, KMP AND RELATED PARTY DISCLOSURES (CONTINUED)

A restructure of GAWB's organisational units took effect from 1 April 2011. On this basis, other than cessations during the 2010/11 financial year, the position titles and responsibilities listed represent those that apply to GAWB's KMP as at 30 June 2011.

Position	Responsibilities	Contract classification and appointment authority	Date appointed to position (Date resigned from position)
KMP			
Chief Executive Officer	Responsible for achievement of GAWB's Performance Plan outcomes by providing leadership, support and direction to management and staff.	Common law term contract	31 March 2006
Corporate Secretary and Corporate Services Unit Manager	Development and management of corporate secretarial functions and processes. Leadership of the Corporate Services Unit including management of governance, risk, compliance, information technology, land management and safety systems.	Common law contract	8 May 2006 Role expanded to incorporate Corporate Services Unit Manager 22 October 2010
Commercial Unit Manager	Leadership to the Commercial Unit including management of information technology, land management and corporate counsel services.	Common law contract	17 July 2006 (22 October 2010)
Chief Financial Officer (formerly Manager of Strategic Planning & Economic Regulation)	Strategic projects, economic regulation, financial management, reporting and compliance.	Common law contract	8 March 2010 Chief Financial Officer from 29 April 2011
Financial Controller	Financial management, reporting and compliance.	Common law contract	16 April 2007 (29 April 2011)
HR Specialist	Management of human resource systems, community relationship business requirements and knowledge management systems.	Common law contract	24 January 2011
Infrastructure Planning Manager	Project definition and development for inclusion in capital works program, water network modelling and planning and disaster management co-ordination.	Common law contract	1 April 2011
Infrastructure Delivery Manager	Planning, organising, leading and controlling the stages of planning, implementation and close out of capital works projects, environmental compliance, drought management planning, water and catchment management modelling and forecasting and management of capital expenditure.	Common law contract	1 April 2011
Special Projects Manager	Oversight and delivery of special projects assigned by the Chief Executive Officer.	Common law contract	25 March 2008
Operations & Maintenance Manager	Ensuring bulk potable water quality and availability, managing the Operations and Maintenance Group.	Common law contract	1 April 2011
Land Manager	Management of land owned or controlled by GAWB.	Common law contract	16 July 2007

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

31. DIRECTOR, KMP AND RELATED PARTY DISCLOSURES (CONTINUED)

The compensation for each director is set by the Minister in line with the *Water Act 2000* section 624. Directors who are also councillors of the Gladstone Regional Council do not receive compensation for their positions as directors in accordance with section 599 and 605 of *Water Act 2000*.

Compensation for the Chief Executive Officer is approved by Board with compensation for the other KMP endorsed by the Board annually on the recommendation of the CEO and the Nomination & Remuneration Committee, having regard to the document *State Water Entities – Remuneration Principles for Governance Arrangements for Chief and Senior Executives*. It includes:

- Short term employee benefits including:
 - Salary, allowances and leave entitlements paid and provided to the KMP during the year while they were a KMP that were recognised as expenses in the Statement of Comprehensive Income;
 - Non-monetary benefits in the form of salary packaging to KMP is also provided, 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 accumulated funds and defined contribution plans.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide for notice periods and payments on termination only.
- Performance bonuses are paid to senior executives for the achievement of balanced organisational performance outcomes (water supply, commercial results and corporate responsibility), with bonuses capped at 15% of the senior executive's remuneration. Performance bonuses are managed in accordance with the *Remuneration Guideline for Chief and Senior Executives in Government Owned Corporations*.

Director compensation included the following (directors not receiving compensation have been excluded):

Position	Year	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
		Monetary Benefits \$000	Non-monetary Benefits \$000				
Board of directors compensation							
Chairperson – Ms Mary Boydell	2011	44			4		48
	2010	43			4		47
Director - Mr Warren Dinte	2011	14					14
	2010	14					14
Director - Mr John Mulheron	2011	11					11
	2010	13					13
Director -Ms Amelia Hodge	2011	5					5
	2010						
Director - Mr Peter Corones (ceased 14 August 2009)	2011						
	2010	1					1
Director - Ms Rowena McNally (ceased 4 June 2010)	2011						
	2010	5					5
Total Remuneration	2011	74			4		78
	2010	76			4		80

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

31. DIRECTOR, KMP AND RELATED PARTY DISCLOSURES (CONTINUED)

KMP compensation included the following:

Position	Year	Short Term Monetary Benefits \$000	Employee Benefits Non-monetary Benefits \$000	Long Term Employee Benefits \$000	Post Employment Benefits \$000	Termination Benefits \$000	Total Remuneration \$000
KMP compensation							
Chief Executive Officer	2011	246	27	7	24		304
	2010	231	20	8	21		280
Corporate Services Unit Manager / Corporate Secretary	2011	161	8	6	15		190
	2010	141	1	4	13		159
Commercial Unit Manager (resigned 22 October 2010)	2011	105		(13)	5		97
	2010	137		4	25		165
Chief Financial Officer ¹	2011	82	63	4	13		162
	2010	30	10		4		44
Financial Controller (resigned 29 April 2011)	2011	117		(10)	29		136
	2010	137		4	24		165
HR Specialist (from 24 January)	2011	58		1	5		64
	2010						
Infrastructure Planning Manager ²	2011	149		9	51		209
	2010	133		4	50		187
Infrastructure Delivery Manager (from 1 April 2011)	2011	50		1	4		55
	2010						
Special Projects Manager	2011	114	5	4	46		169
	2010	108		4	50		162
Operations & Maintenance Manager (from 1 April 2011)	2011	30	4	3	4		41
	2010						
Land Manager	2011	115	4	4	15		138
	2010	107		3	14		124
Total remuneration	2011	1,227	111	16	211		1,565
	2010	1,024	30	31	201		1,287

¹ previously held position of Strategic Planning & Economic Regulation Manager so comparative information is shown for this position for the period of the year for which this position was held

² previously held position of Operations Manager so comparative information is shown for this position

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

31. DIRECTOR, KMP AND RELATED PARTY DISCLOSURES (CONTINUED)

Details of performance bonuses paid or payable to KMP is set out below:

A performance bonus was paid on 7 October 2010 to the Chief Executive Officer, Infrastructure Planning Manager, Commercial Unit Manager, Financial Controller, Corporate Secretary, Special Projects Manager and Land Manger.

	2011 Number
\$20,000 to \$29,999	1
\$10,000 to \$19,999	6
Total	7

Transactions with directors and director related entities

In the ordinary course of business and under normal terms and conditions, during the financial year GAWB has dealt with:

- Gladstone Regional Council of which Cr C Butler, Cr C Cameron and Cr G Sellers are councillors.

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

Transactions with KMP and KMP related entities

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

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

32. SUBSEQUENT EVENT

In the interval between the end of the financial year and the date of this report, GAWB has executed commercial arrangements for the development of water infrastructure to meet the needs of the LNG proponents on Curtis Island (29 August 2011). The nature of the commercial arrangements will result in:

- the project having a positive impact on GAWB's future financial results; and
- GAWB entering into construction contracts necessary to facilitate the construction of the required infrastructure.

An estimate of the financial impacts of the project cannot be determined at this time due to various uncertainties relating to the project cost and timeframe.

Other than that disclosed above, 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.

33. CREATION OF GLADSTONE AREA WATER BOARD EMPLOYING OFFICE

On 23 April 2007 the Queensland Parliament passed the Statutory Bodies Legislation Amendment Act 2007 which amended the Water Act 2000. These amendments included the creation of the Gladstone Area Water Board Employing Office as a statutory body for the purposes of the Financial Accountability Act 2009. In relation to the Gladstone Area Water Board Employing Office there were no transactions prior to and including 30 June 2011 and no assets and liabilities existing as at 30 June 2011. Accordingly, a separate financial report for the 2010-11 financial year has not been prepared by the Gladstone Area Water Board Employing Office.

MANAGEMENT CERTIFICATION OF THE FINANCIAL STATEMENTS

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

- (a) The prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
and
- (b) The financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Gladstone Area Water Board for the financial year ended 30 June 2011 and of the financial position of the Gladstone Area Water Board at the end of that year.

M.S. Boydell
Chairperson

J. Grayson
Chief Executive Officer

Gladstone Area Water Board
29 August 2011

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 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairperson and Chief Executive Officer.

THE BOARD'S RESPONSIBILITY FOR THE FINANCIAL REPORT

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2 (a), the Board also states, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 as approved by the Treasurer for application in Queensland.

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

INDEPENDENCE

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

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

AUDITOR'S OPINION

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report 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 2010 to 30 June 2011 and of the financial position as at the end of that year; and
 - (iii) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a).

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

Townsville

Dated: 29/08/2011

GLOSSARY

Act	<i>Water Act 2000 (Qld)</i>
ARM	Audit and Risk Management Committee
ASX	Australian Stock Exchange
Board	GAWB's Board of Directors
CAPEX	Capital expenditure
CEO	Chief Executive Officer
CHMP	Cultural Heritage Management Plan
CNF	Competitive Neutrality Fee
CQRWSS	Central Queensland Regional Water Supply Strategy
CQU	Central Queensland University
CSS	Contingent Supply Strategy
CWT	Capital Works and Technical Committee
DEEDI	Department of Employment, Economic Development and Innovation
DERM	Department of Environment and Resource Management
DWQMP	Drinking Water Quality Management Plan
EAP	Employee Assistance Program
EIS	Environmental Impact Statement
ERA	Environmentally relevant activities
FSL	Forward Starting Loan
GAWB	Gladstone Area Water Board
GFP	Gladstone Fitzroy Pipeline Project
GRC	Gladstone Regional Council
IP	Information Privacy
KPI	Key Performance Indicators
LFRIIP	Lower Fitzroy River Water Infrastructure Project
LNG	Liquefied Natural Gas
LTI	Lost Time Injury
Minister	Minister for Energy and Water Utilities
ML	Mega litres
ML p.a.	Mega litres per annum
NRM	Nomination and Remuneration Committee
OHS	Occupational Health and Safety
PCIMP	Port Curtis Integrated Monitoring Program
PTT	Permit to Trial
QCA	Queensland Competition Authority
QTC	Queensland Treasury Corporation
ROI	Return on Investment
ROL	Resource Operations Licence
ROP	Boyne River Basin Resource Operations Plan 2003
RRC	Rockhampton Regional Council
RTI	Right to Information
SAMP	Strategic Asset Management Plan
SCADA	Supervisory Control and Data Acquisition
SEPPP	Senior Executive Performance Payment Plan
SGIC / GSDA	Stanwell Gladstone Infrastructure Corridor / Gladstone State Development Area
SLMP	System Leakage Management Plan
SWP	Strategic Water Plan
TAM	Transition and Maintenance Phase of GFP
TEC	Total Employment Cost
WRP	Water Resource (Boyne River Basin) Plan 2000
WSSRA	<i>Water Supply (Safety & Reliability) Act 2008 (Qld)</i>

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DIRECTORS

Mary Boydell – Chairperson
Cr Craig Butler
Cr Clyde Cameron
Warren Dinte
John Mulheron
Amelia Hodge
Malcolm Leinster
Cr Gail Sellers – resigned
17 December 2010

CHIEF EXECUTIVE OFFICER

Jim Grayson

CORPORATE SECRETARY

Gary Larsen

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

The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on either 07 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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