



Annual Report

2012

Aqwest is continually looking for innovative ways to engage with its customers and came up with the idea of a mobile water dispensing “trailer” aptly named the Rehydration Station.

A Bunbury engineering company manufactured the trailer from Aqwest’s concept and design.

The outside skin can be raised to expose taps to dispense Aqwest’s water. This allows the signage to be above people’s heads so the Rehydration Station is quite visible at sporting events, fun runs, etc.

This is a creative approach to reducing water bottles to landfill, anyone at events where the Rehydration Station is located can fill their drink bottles with water as many times as they like, for free.

The Rehydration Station can also be used when Aqwest has an interruption to water supply, either in an emergency situation or a planned event. The Rehydration Station can be conveniently located so customers can collect water during the supply outage, instead of having to fill sinks, kettles and other vessels.

This is a trial model and if it is as successful as Aqwest is expecting, another Rehydration Station could be commissioned to provide better coverage at events in and around Bunbury.

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Photo by: Brooke Shepherdson,
Aqwest Photographic Competition Winner

Statement of Compliance

for the year ended 30 June 2012

Hon Bill Marmion MLA
Minister for Water

In accordance with Section 63 of the *Financial Management Act 2006*, Aqwest has pleasure in submitting for your information and presentation to Parliament, the Annual Report of Aqwest-Bunbury Water Board for the financial year ended 30 June 2012.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



S Liaros
Chairman
3 September 2012



J Jones
Board Member
3 September 2012



J G Smith
Chief Finance Officer
3 September 2012

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Overview

Executive Summary

- A modest profit of approximately \$250,000 was achieved in 2011-2012. This is considered satisfactory, as a small operating loss had been included in the budget.
- National performance benchmarking completed by the National Water Commission demonstrated that Aqwest is arguably the most efficient water utility in Australia for utilities with between 10,000 and 20,000 connections.
- Annual water consumption in Bunbury has settled at between 6 giganlitres (GL) and 7 GL for more than 30 years despite customer numbers doubling in this period. This is an outstanding long term commitment to water conservation by water consumers in Bunbury.
- With consumption falling and a pricing regime that has an emphasis on consumption, i.e. user pays; the ongoing challenge is to adequately cover ever-increasing fixed costs.
- Aqwest is ready, willing and able to provide its unique customer service and value for money to all consumers in the Greater Bunbury Region, not just the City of Bunbury.
- Staff worked diligently this year to ensure customers can trust the quality of the drinking water. Water quality is one of five key performance indicators with a target to achieve 100 per cent microbiological compliance in seven out of seven water quality zones. This was achieved in the reporting year and for every year over the past decade or more.
- Business Continuity Planning arrangements remain relevant and regularly tested.

Purpose

To provide sustainable high quality water services.

Vision

To be an independent water utility providing diversity and competition in the Western Australian water industry.

Values

Be ethical.

Have and display integrity.

Be accountable and transparent.

Guiding Principles

We are committed to service excellence.

We are customer and community focused.

We strive for innovative solutions.

We aim to be an employer of choice.

Overview

Chairman's Report



Stan Liaros
Board Chairman

Financial Performance

Aqwest has returned a small profit of just under \$250,000 before income tax in 2011-2012. Whilst this was above budget expectations the Board remains somewhat bemused by the Economic Regulation Authority's (ERA) pricing model, specifically the huge difference between the accounting or "book" value and ERA's determination of the Regulatory Asset Value. Put simply, a public utility with an asset book value of approximately \$100 million should have adequate pricing to return a more realistic profit margin.

Legislative Change

The further progress in 2011-2012 of the Water Services Bill and Water Services Legislation Amendment and Repeal Bill is pleasing. The Board looks forward to the expanded opportunities that legislative change will ultimately deliver.

Strategic Development Plan and Statement of Corporate Intent

Both of these documents are the blueprint for Aqwest's ongoing success. The Board looks forward to delivering on the identified long and short term directions for the organisation including the State Government efficiency targets.

National Performance Report for Urban Water Utilities 2010-2011

The National Water Commission's sixth annual National Performance Report for Urban Utilities 2010-2011 identified the following (for utilities with between 10,000 and 20,000 connected properties):

- Aqwest has the lowest typical residential bill in Australia (based on average residential water supplied)
- Aqwest has the lowest residential bill in Australia for 200kL, and
- At \$365 per property, Aqwest has the second lowest operating cost in Australia per property. (Note: the lowest is \$360 per property).

Aqwest is proud of this performance and is expecting similar outcomes for 2011-2012 when the results are released in early 2013.

(Ref: National Water Commission, National Performance Report 2010-2011, Urban Water Utilities.)

Board Membership

There have been numerous changes to Board membership throughout the year. Thanks are extended to former Board Member Tom Hall for his very significant contribution to the Bunbury Water Board over almost 10 years. Welcome to new Board Members Neville Eastman, Edwin Abdo and Rob Nicholson who all bring a wealth of experience and professional skills to the Board.

The Board actively embraces the practice of good corporate governance including the annual review of the Board Charter and Board Code of Conduct. The Board is also acutely aware of its risk management responsibilities and again conducted a Special Meeting of the Board to consider risks at Board level. Board Members actively participate in the Risk Management, Audit and Business Development Committees and attend relevant forums to increase their overall knowledge of the Australian water industry.

Overview

Chairman's Report

Critical Mass

Aqwest is a relatively small water utility with just 36 staff and approximately 17,000 customers.

The Australian Government's Productivity Commission released its report on Australia's Urban Water sector on 12 October 2011. The Commission at recommendation 13.3 supports the creation of a regional water corporation approach (horizontal disaggregation). The Commission goes on to state that.....
... "in assessing the costs and benefits, factors other than scale should be considered, including opportunities for yardstick competition, the proximity of utilities to the customers they serve, opportunities for more location-specific pricing arrangements and the effectiveness of water resource management and water system planning".

Aqwest is ready, willing and able to provide its unique customer service and value for money to all consumers in the Greater Bunbury Region, not just the City of Bunbury.

Executive Staff

Five-year employment contracts for the following three executive positions expired during the financial year and were subsequently reviewed and renewed:

- Chief Executive Officer
- Manager Water Services
- Manager Finance and Administration.

Closing

I thank my fellow Board Members Judy Jones, Neville Eastman, Edwin Abdo, Wayne Edgeloe and Rob Nicholson, executive staff and all staff for their efforts and commitment during another very challenging financial year.

Stan Liaros

Board Chairman
8 August 2012

Overview

Chief Executive Officer's Report



Brad Bevis
Chief Executive Officer

Performance Indicators

The Board has five [key performance indicators](#) and 19 [management indicators](#). The indicators and their targets are approved annually by the Minister for Water. All key performance indicators achieved their target in 2011-2012.

Financial Performance

In 2011-2012, a satisfactory financial performance was achieved between actual versus budget. Selling less water obviously results in less income. In that sense the water industry is particularly unique since it actively

promotes programs requesting customers to use less of the product. This means the ability for utilities to adequately cover ever increasing fixed costs is an ongoing challenge.

Water Consumption and Water Production

There was a slight decline in both residential and non-residential water [consumption](#) again in 2011-2012 with a respective decline in production to 6.47 GL. Annual water production has remained at between 6 GL and 7 GL since the early 1980s. As customer connections have doubled over this time, this is a credit to the water conservation practices adopted by Aqwest's customers.

Water Quality

Aqwest has a commitment to supply the highest quality and most affordable drinking water possible. Aqwest staff worked hard again this year to ensure customers can trust the quality of drinking water and this was emphasised in the annual customer survey where 91 per cent of respondents thought Aqwest's [water was safe to drink](#) while the overall satisfaction with Aqwest scored 90 per cent.

Aqwest acknowledges the Department of Health as the regulator of drinking water quality in Western Australia. Aqwest has in place a highly experienced Water Quality Committee and appreciates the external expertise brought to this forum by the WA Department of Health, Hunter Water Australia and the City of Bunbury.

The Board of Aqwest identifies [water quality](#) as one of its five key performance indicators with a target to achieve 100 per cent microbiological compliance in seven out of seven water quality zones. This target has again been achieved in 2011-2012 and for every year over the past decade or more.

Human Resources

The Board remains committed to providing an environment that allows all employees the opportunity to thrive. An [annual staff attitudinal survey](#) was conducted for the 19th consecutive year. Eight of the nine categories were above the Australian average. In the first half of the next financial year Aqwest will test the survey to ensure it represents contemporary best practice in this area. An employee with skills and qualifications in Human Resources has been employed to address the ever-increasing requirements in the human resource area. At the request of the Public Sector Commission a Workforce and Diversity Plan 2012-2015 has been finalised.

Overview

Chief Executive Officer's Report

The Board actively supports the employment of trainees and the ongoing development of employees. The staff services program continues to provide tangible benefits and attendance at industry forums including VicWater, OzWater and the annual Water Industry Engineers and Operators Conference, is encouraged. These forums provide relevant staff with the opportunity to expand their knowledge of the Australian water industry therefore delivering better outcomes for Aqwest.

Business Continuity Planning

The highest ranking critical business process for Aqwest has been identified as "the continuous supply of potable water". Aqwest's capability to deal with emergency situations is tested annually and this year the Business Continuity Plan (BCP) has been further developed and improved by engagement with the Government insurer RiskCover to conduct scenario testing of the BCP. Aqwest is confident that its emergency and crisis response capability to maintain all critical business processes is strong and well developed.

Key Relationships

The ongoing communication and assistance provided by key stakeholders including the Water Corporation, Busselton Water, Economic Regulation Authority, Department of Water, Department of Treasury, Minister's Office, RiskCover, Department of Health, City of Bunbury and Office of The Auditor General results in a stronger water industry in Western Australia. Aqwest highly values these links.

Closing

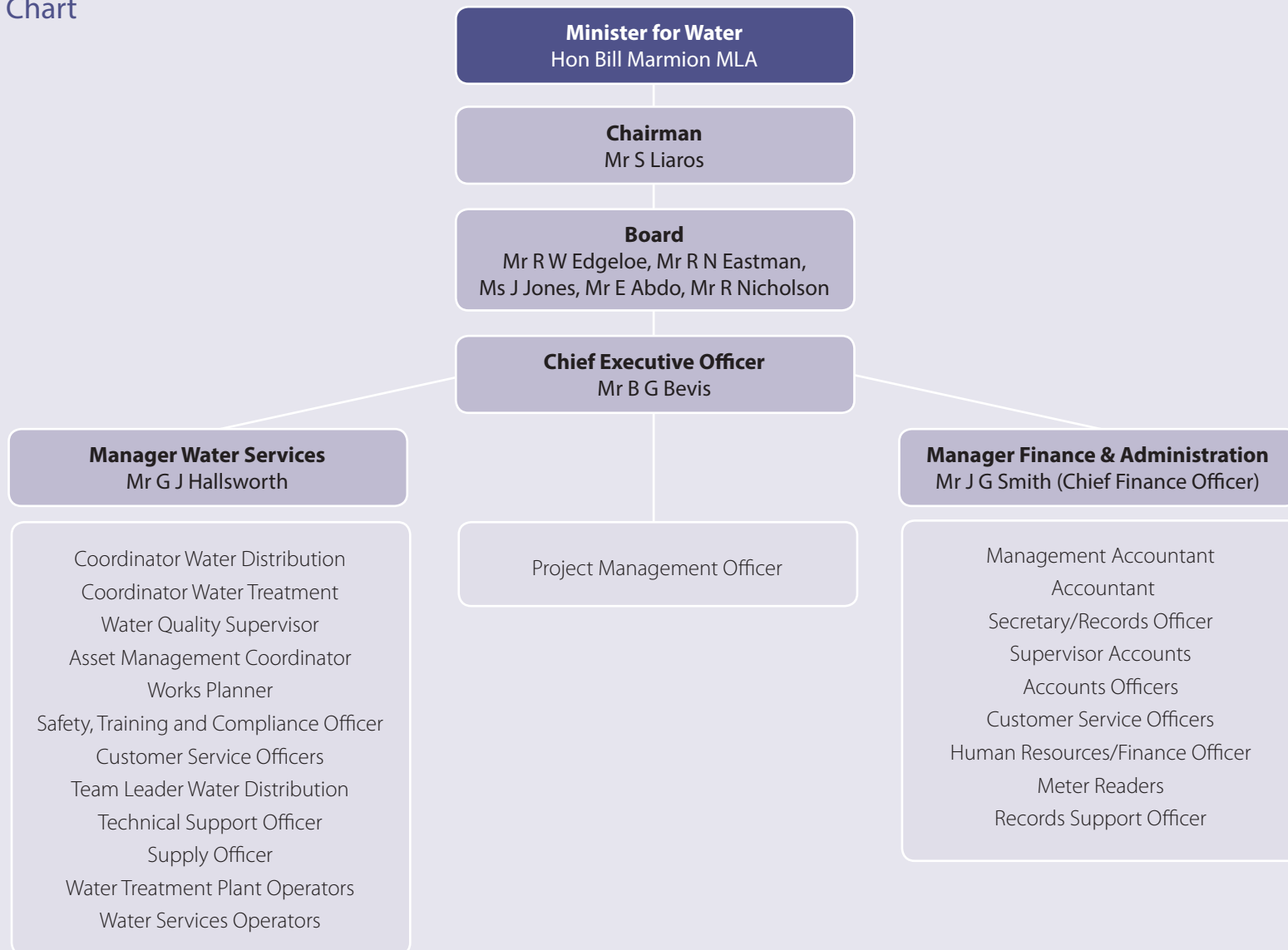
I have greatly appreciated the support of all Board Members, managers and staff throughout the financial year. I would again like to acknowledge and thank everyone at Aqwest who has made a commitment outside of their working hours to ensure this 24/7 business provides continuous customer service excellence. Also, to those staff who make an effort in their own time and sometimes at their own expense to make Aqwest a better place to work – thank you.

Brad Bevis

Chief Executive Officer
10 August 2012

Overview

Organisational Chart



Overview

Board of Aqwest

Board Members are appointed in accordance with the requirements of the *Water Board Act 1904*.



Stan Liaros (Chairman) – June 2004 – 31 May 2013

Mr Liaros is the Chief Executive Officer of The Apprentice and Traineeship Company, member of the South West Development Commission and a Director of Group Training. He is also Senior Vice-President of the South West Football League and actively involved in the local community and sponsorship of numerous sporting organisations through the Apprentice and Traineeship Company.



Wayne Edgeloe – October 2009 – 31 May 2014

Mr Edgeloe is the Director Engineering and Environment of Thompson McRobert Edgeloe an Engineering and Town Planning consultancy. He has particular expertise in water sensitive urban design and extensive experience in land development.



Judy Jones – March 2011 – 31 May 2014

Ms Jones is a City of Bunbury Councillor, member of the Bunbury Cemetery Board and Chairman of the Bunbury-Harvey Regional Council, a joint venture between the City of Bunbury and the Harvey Shire Council, convened for the purpose of managing the Stanley Road landfill site.



Edwin Abdo – October 2011 – 31 May 2014

Mr Abdo is a Bunbury Solicitor who has served on many committees, including the Bunbury Rotary Club, and is a member of the Law Society of WA and the Australian and New Zealand College of Notaries. Mr Abdo has a keen interest in the availability and efficient use of water in Western Australia and a good knowledge of relevant legislation.



Neville Eastman – July 2011 – 31 May 2015

Mr Eastman is a former Chartered Accountant and Partner of Eastman & Co Accountants, which was formed in 1969. He is a third generation resident of Bunbury and has a passionate interest in the well being of the City and its residents. Mr Eastman was previously a member of the Bunbury Port Authority for 10 years.



Rob Nicholson – June 2012 – 31 May 2015

Mr Nicholson is an Architect who was previously a member of the Bunbury Water Board from 1996 to 2001. As a Bunbury resident since the mid 1980s, Mr Nicholson has a particular interest in the efficient running of Aqwest and the development of contemporary water policy. He is also keen to maintain the current high water quality standards.

The following Board member was not re-appointed during the financial year:
Tom Hall - July 2003 – 31 May 2012

Overview

Enabling Legislation

The Bunbury Water Board was established under Section 6 of the *Water Boards Act 1904*, listed as a statutory authority by Schedule 1 of the *Financial Management Act 2006* and is subject to the provisions of the *Public Sector Management Act 1994*.

Responsible Minister

Hon Bill Marmion MLA
Minister for Water

The Minister for Water administers the following Acts:

- Water Boards Act 1904
- Water Agencies (Powers) Act 1984
- Water Resources Legislation Amendment Act 2007
- Water Services Licensing Act 1995
- Country Areas Water Supply Act 1947
- Rights in Water and Irrigation Act 1914
- Water Agencies Restructure (Transitional and Consequential Provisions) Act 1995

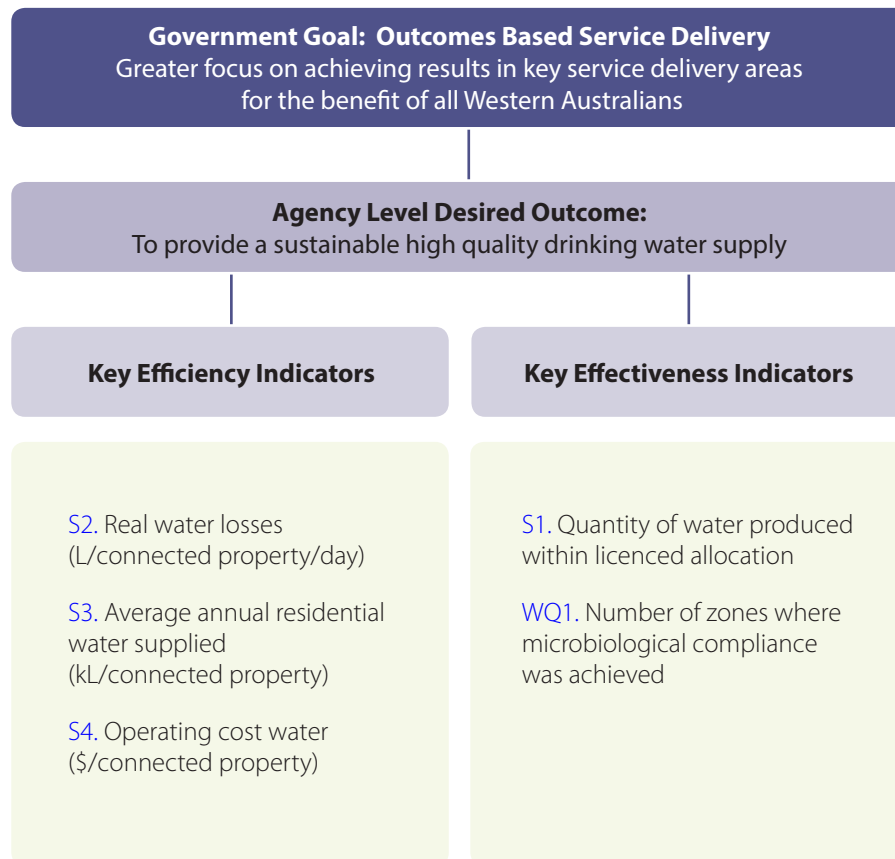
In the performance of its functions, Aqwest-Bunbury Water Board complies with the following relevant written laws:

- Auditor General Act 2006
- Contaminated Sites Act 2003
- Disability Services Act 1993
- Equal Opportunity Act 1984
- Financial Management Act 2006
- Freedom of Information Act 1992
- Industrial Relations Act 1979
- Occupational Safety and Health Act 1984
- Public Sector Management Act 1994
- State Records Act 2000, and
- State Supply Commission Act 1991.

Overview

Performance Management Framework

Outcome Based Management Framework



Relationship to Government Strategic Goals

Broad high-level State Government strategic goals are supported at Aqwest level by a more specific desired outcome. Aqwest supplies drinking water to achieve the outcome, which ultimately contributes to meeting the State Government's strategic goal. The information below demonstrates the relationship between Aqwest's desired outcome and the most appropriate Government Goal, Government Goal 3.

Key effectiveness indicators measure the extent to which Aqwest has achieved a sustainable and high quality drinking water supply. To measure the extent to which this outcome has been achieved, two key effectiveness indicators will be used (Note: S = Sustainability, WQ = Water Quality).

Key efficiency indicators measure the level of resource inputs required to deliver them, including costs. Service delivery costs include all expenditure excluding capital costs and depreciation. These costs do not contribute to the delivery of services. To measure the costs and efficiency of supplying drinking water, three efficiency indicators were used.

Changes to Outcome Based Management Framework

The Board's Outcome Based Management Framework did not change during the financial year ended 30 June 2012.

Shared Responsibilities with Other Agencies

The Board did not share any responsibilities with other agencies during the financial year ended 30 June 2012.

Agency Performance

Financial Performance

Year at a Glance

	2011-12 Actual \$	2011-12 Budget \$	Actual to Budget	Chart Reference
Total Revenue	9,459,878	9,266,097	102%	
Water sales	8,402,323	8,452,118	99%	1
Developer contributions	611,514	356,163	169%	2
Other revenue	446,039	457,816	97%	3
Total Expenses	9,211,345	9,461,466	97%	
Operational expenses	6,391,484	6,422,405	100%	4
Administrative expenses	2,115,214	2,262,214	94%	5
Other expenses	704,647	776,847	91%	
Operating Profit before tax	248,533	(195,369)	(227%)	
Income tax expense	380,320	241,389	158%	

Operating profit, although small, was above budget expectations due to a combination of total revenue being higher than budget, and total expenses falling short of budget.

Agency Performance

Financial Performance

Water Sales

Revenue from water sales was in total, very close to budget. However, within this category there were upward and downward variances to budget.

Revenue from residential consumption fell short of budget by \$340,232 (10 per cent). Average residential consumption fell by 4.5 per cent in 2011-2012, with an average reduction of 2.6 per cent every year for the past three years. Non-residential annual consumption also continued to drop with a 3.5 per cent reduction in 2012, and an average reduction of 3.1 per cent over the past three years.

Although consumption increased slightly in the lowest tariff scale for residential customers, it has decreased significantly in the higher tariff scales.

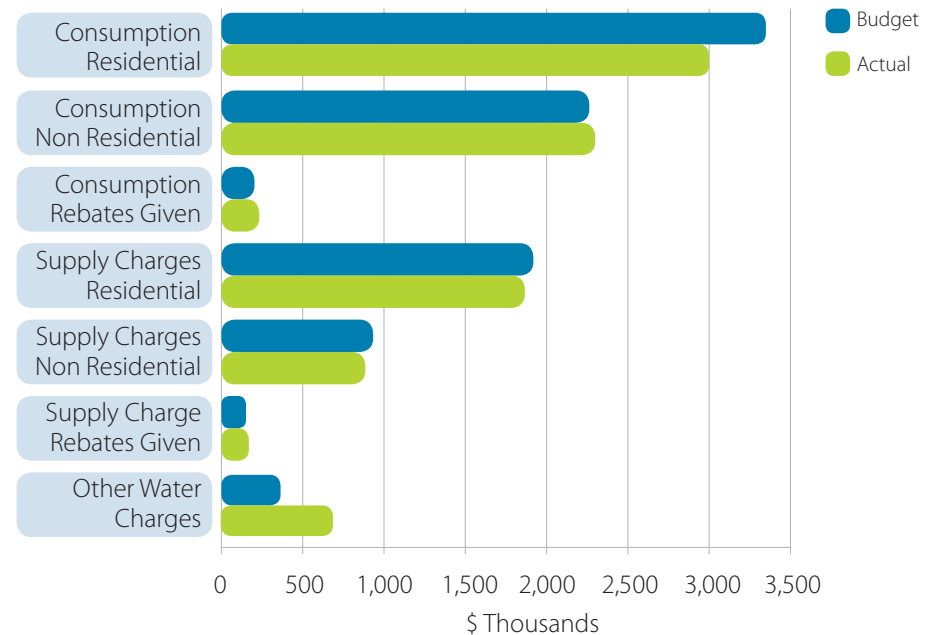
This means Aqwest received more income from residential consumption at the lowest tier (0-150kL), but considerably less at the higher and more expensive tiers. This translated into a much lower than anticipated revenue from water consumption.

It is important to note that budgeted volumetric consumption was based on the previous three year's average consumption, with a zero growth assumption applied.

Supply charge revenue fell short of budget by \$65,655 (2 per cent). Budget expectations were not met due to low growth of 1 per cent in service connections for the year.

Other water charges finished at \$326,942 (89 per cent) over budget. Included in this category were significant private works completed for Main Roads Western Australia and the City of Bunbury. These projects at the Picton Road and Eelup roundabout areas required the realignment of large trunk mains.

Chart 1: Water Sales Revenue – 2011-12 Actual vs Budget



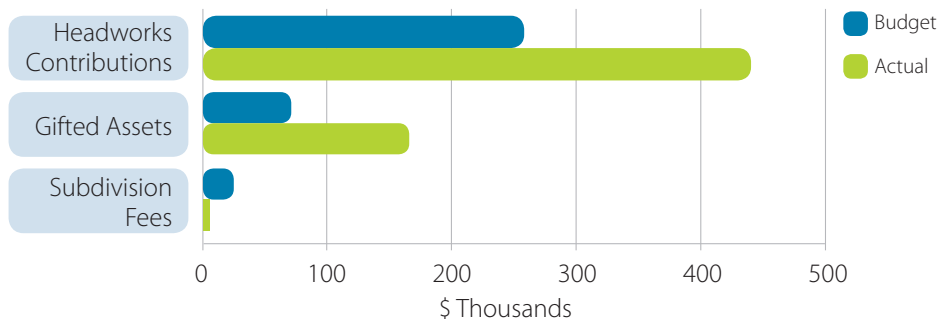
Agency Performance

Financial Performance

Developer Contributions

Contributions by developers were \$255,351 (69 per cent) over budget. Of this, cash contributions from headworks were up \$160,564 while non-cash gifted assets exceeded budget by \$94,787. The budget figure was conservative; however, reasonable levels of development activity did occur throughout 2011-2012. Much of this activity related to “smaller” infill type subdivisions.

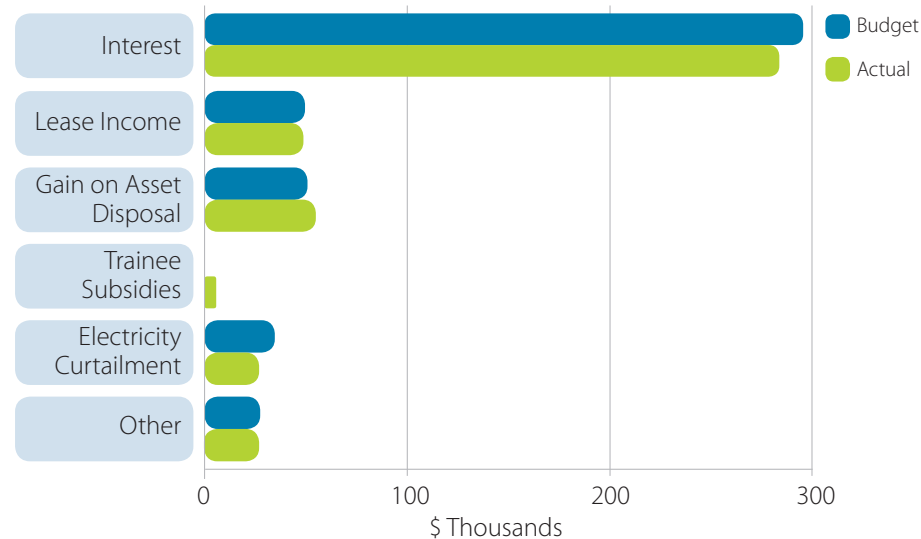
Chart 2: Developer Contributions – 2011-12 Actual vs Budget



Other Revenue

This comprised mainly of interest earned on investments, and contributed to 5 per cent of total revenue. Other revenue was very close to budget at only \$11,776 under predictions (3 per cent).

Chart 3: Other Revenue – 2011-12 Actual vs Budget



Agency Performance

Financial Performance

Operational Expenses

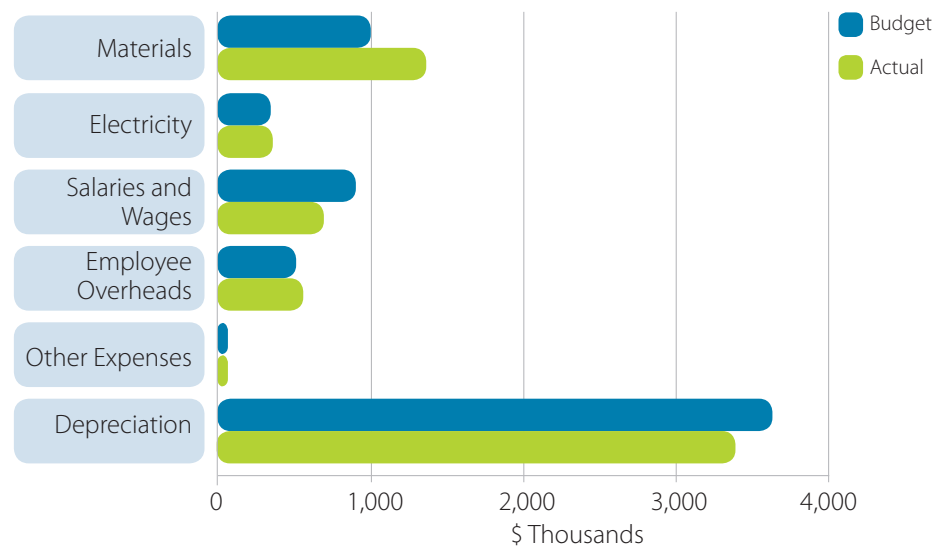
Operational expenses, which comprised 69 per cent of total expenditure for the year, were in total quite close to budget. However, within this category there were multiple upward and downward variances to budget.

There were large increases in materials and contractors evidenced by the unpredicted level of private work projects during the year.

Salaries and wages fell short of budget; however, the budget did not allow for direct labour attributable to capital projects. Total salaries for this category (costed to both capital and operating projects) were almost 100 per cent on budget.

Depreciation was lower than expected due to a combination of capital works projects being deferred and the revaluation of mains at 30 June 2011.

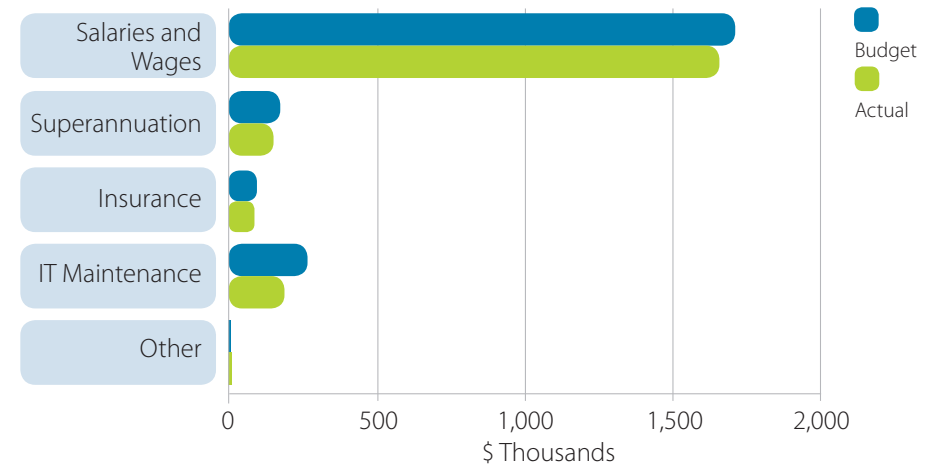
Chart 4: Operational Expenses – 2011-12 Actual vs Budget



Administration Expenses

These expenses were 23 per cent of total expenditure for the year, and ended \$147,000 (6 per cent) under budget. Expenditure on Information Communications Technology (ICT), including computer consumables, licences, maintenance and ICT Strategic Plan fell short of budget by \$80,000 mainly due to projects being deferred. Salaries and wages fell short by \$53,000 mainly due to some staff positions being vacant for extended periods.

Chart 5: Administration Expenses – 2011-12 Actual vs Budget



Other Expenses

Other expenses were 8 per cent of total expenses and were under budget by \$72,200 (9 per cent). There were multiple upward and downward variances to budget within this category.

Agency Performance

Key Performance Indicators

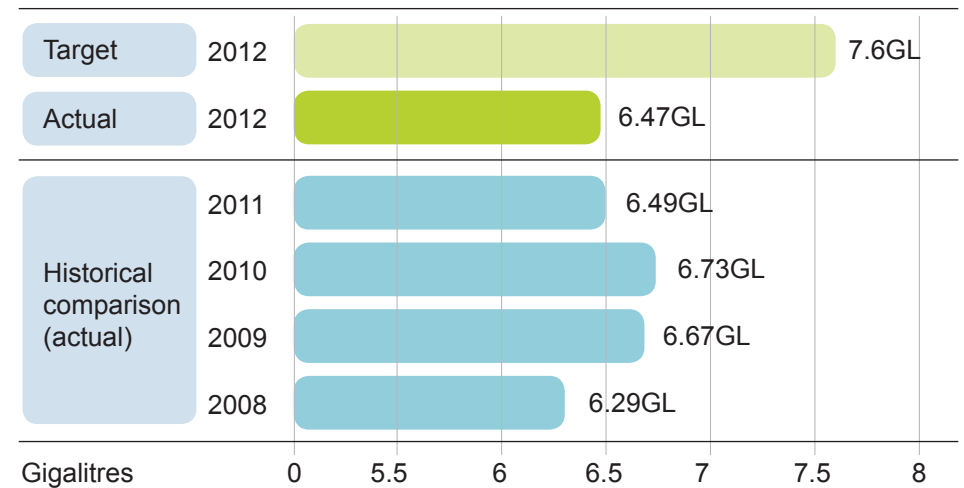
	2011-12 Target	2011-12 Actual	Variance
S1. Quantity of water produced within licenced allocation (volume)	<7.6GL	6.47GL	1.13GL
S2. Real water losses (L/service connection/day)	<115L	115.3L	0.3L
S3. Average annual residential water supplied (kL/connected property)	<290kL	255kL	35kL
S4. Operating cost of water (\$/connected property)	< 6% increase	1.2% decrease	7.2%
WQ1. Number of zones where microbiological compliance is achieved	7/7	7/7	On target

For additional information and trends on our key performance indicators, see: "Disclosures and Legal Requirements - Key Performance Indicators"

S1 - Quantity of water produced within licenced allocation (volume)

Annual water production has remained within target at between 6 GL and 7 GL since the early 1980s.

Extraction at or below the licenced volume enhances long term sustainability of the water source.

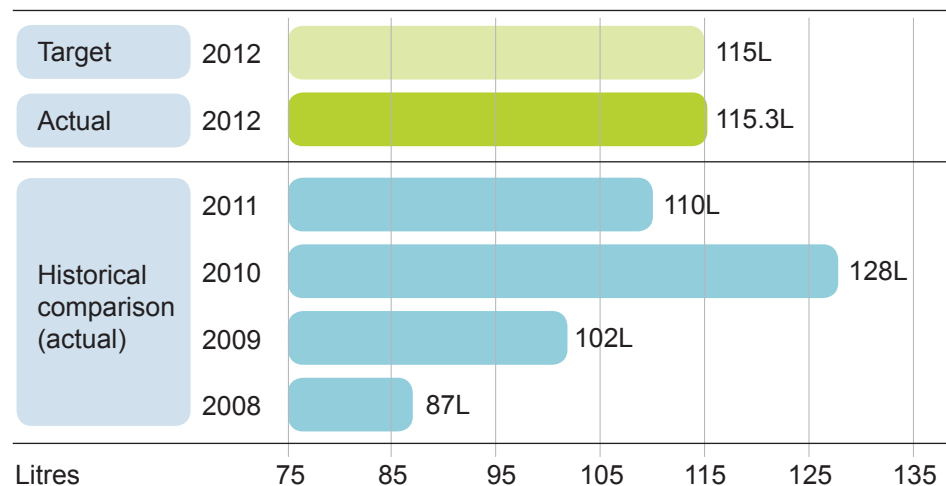


Agency Performance

Key Performance Indicators

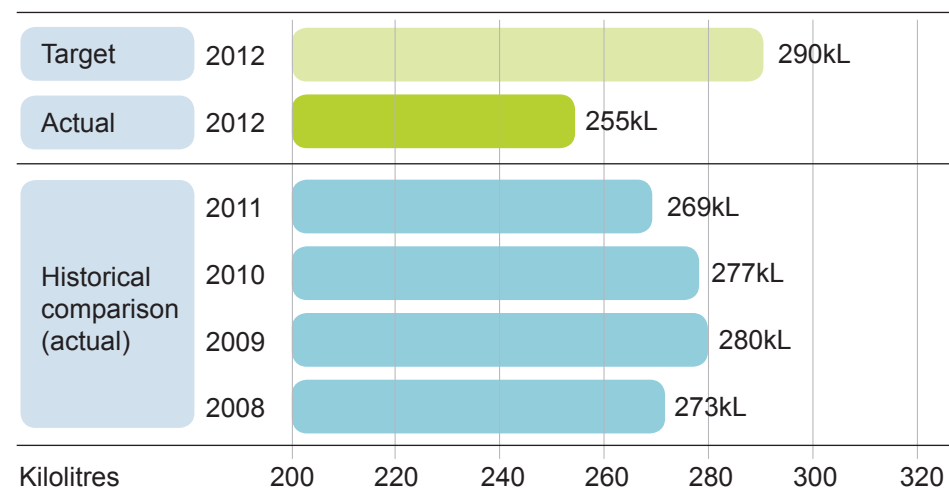
S2. Real water losses (L/service connection/day)

The result for 2012 was on target at 115.3L. Performance on this indicator can be influenced by the condition of mains and other infrastructure, water pressure and water consumption as shown in the historical results. Aqwest endeavours to minimise the difference between water production and water consumption. Maintaining minimal variance enhances sustainability of the resource.



S3. Average annual residential water supplied (kL/connected property)

The result for 2012 and prior years has been below target. Minimising average water consumption per property is a key factor in ensuring long term sustainability.



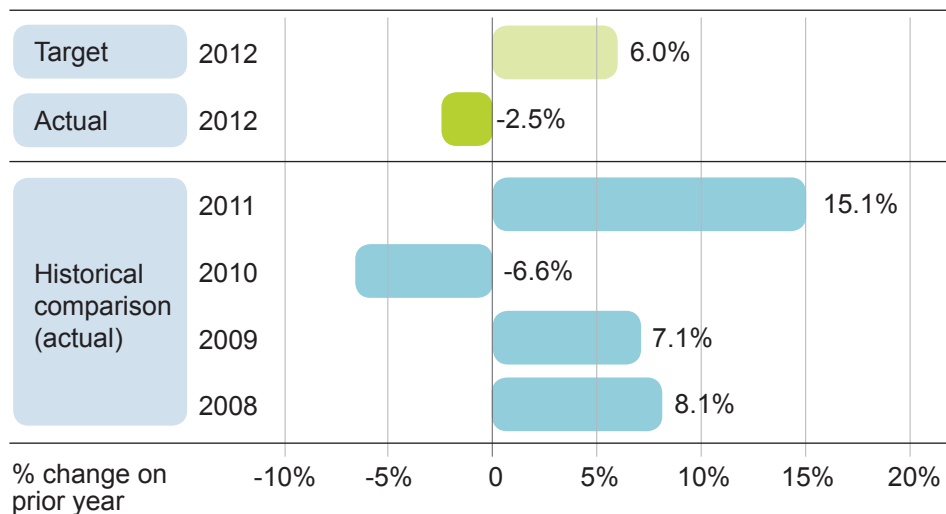
Agency Performance

Key Performance Indicators

S4. Operating cost of water (\$/connected property)

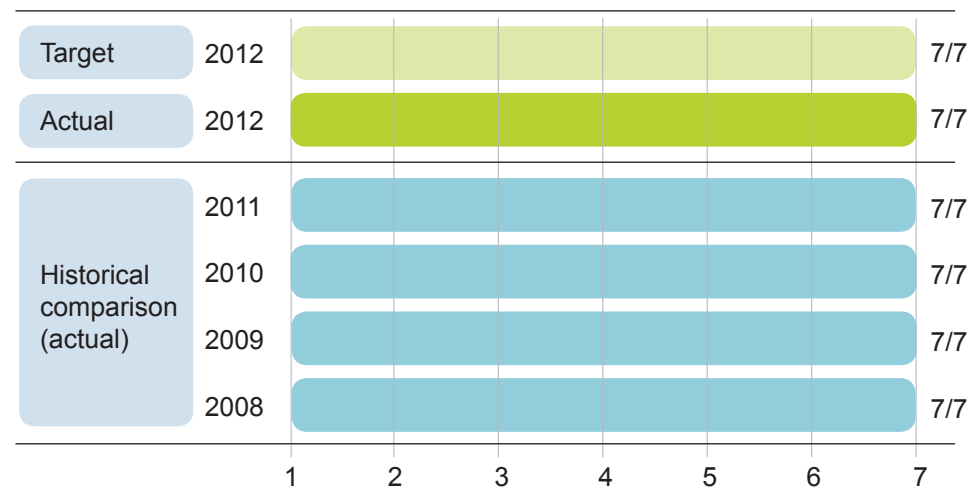
High quality drinking water must be achieved at a reasonable cost to ensure the financial sustainability of the business.

The result for 2012 was on target with a 2.5 per cent decrease on the prior year. The spike in 2011 resulted from an increase in costs, being materials, salaries and wages. This indicator had definition changes over the past five years, with 2010 being the first year of the new calculation method.



WQ1. Number of zones where microbiological compliance is achieved

The target for this indicator was achieved for 2012 and prior years. Compliance with bacteriological, amoebae, aesthetic (non-health related), organic (health related) and inorganic (health related) water quality parameters are essential for the provision of high quality drinking water.



Agency Performance

Management Performance Indicators

(These indicators are not subject to audit by the Office of the Auditor General.)

PI no.	Description	Target 2012	Actual 2012	2011	2010	2009	2008
Key Result Area - Sustainability							
S5	Economic real rate of return	>2%	(0.08%)	(0.49%)	1.27%	1.16%	1.65%
S6	Total net greenhouse gas emissions (net tonnes CO ₂ equivalent) per 1,000 properties	2% reduction per annum	10.00%	2.05%	3.05% (first year)	n/a	n/a
S7	Percent of fixed costs recouped via supply fees	100%	42%	45%	53%	58%	58%
S8	Operating cost per megalitre (ML)	<6% increase per annum	\$898 1% decrease	\$910 21% increase	\$752 11% decrease	\$843 6% decrease	\$894 16% increase
Key Result Area – Customer Service							
CS1	Customer satisfaction survey target met (see page 33 for detailed results)	9/9	4/9	5/9	5/9	5/9	3/9
CS2	Average frequency of an unplanned interruption (per 1,000 properties)	<250	168	143	128	231	304
CS3	Average duration of an unplanned interruption (mins)	30 mins	61.8 mins	50.3 mins	41.7 mins	32.3 mins	33.9 mins
CS4	Water quality complaints (per 1,000 properties)	<4	9	7	6	7	6
CS5	Water service complaints (per 1,000 properties)	<4	4.7	3.8	5.2	n/a	n/a
CS6	Billing and account complaints (per 1,000 properties)	<2	0.5	0.5	0.9	n/a	n/a

Agency Performance

Management Performance Indicators

(These indicators are not subject to audit by the Office of the Auditor General.)

PI no.	Description	Target 2012	Actual 2012	2011	2010	2009	2008
Key result area – Forward Planning							
FP1	Debt to equity ratio	0%	0%	0%	0%	0%	0%
FP2	Properties served per kilometre of water main	>40	43.0	42.5	43.7	43.4	43.6
FP3	Water main breaks (per 100km of water main)	<20	10.2	10.2	10.7	8.6	7.6
FP4	Energy consumption (kWh/kL)	<0.45	0.48	0.50	0.48	0.49	0.48
FP5	Off peak energy use	>65%	78%	75%	71%	71%	70%
Key result area – Human Resources							
HR1	Staff attitudinal survey targets met for all parameters (see page 38 for detailed results)	9/9	8/9	8/9	8/9	9/9	9/9
HR2	Lost time injury frequency rate (LTIFR)	<4.2	32.8	16.9	0	0	35.3
HR3	Average time lost per injury	<2 days	4 days	18 days	0	0	113 days
Key result area – Regulatory Performance							
RP1	Compliance with Aqwest Operating Licence service and performance standards Schedule 4	5/5	5/5	4/5	3/5	5/5	5/5
Key result area – Water Quality							
WQ1	See Key Performance Indicator results						
Key result area – Community Engagement							
CE1	Refer CS1 Performance Indicator						

Agency Performance

Key Result Areas

Explanation of Key Result Areas							
	Sustainability	Customer Service	Forward Planning	Human Resources	Regulatory Performance	Water Quality	Community Engagement
Commitment	Permanence	Excellence	Vision	Development, Equity & Safety	Compliance	High Quality	Communication
Objectives	Manage the long term viability of the resource	Achieve excellence in the provision of service to customers	Ensure secure long term tenure over all current and proposed Aqwest facilities	Ensure that it maintains an effective and efficient organisational structure	Comply with the Economic Regulation Authority Operating Licence requirements	Secure access to quality water resources	Actively consult and communicate with the community
	Ensure the long term financial viability of the business	Be aware of and respond to customer needs	Ensure that treatment capacity and capability is always sufficient to meet future demand without over capitalising	Develop a multi skilled and flexible workforce	Comply with all other relevant Regulations and Statutory requirements	Keep abreast of emerging water treatment technology	Remain accountable and responsive to community needs
	Act in an environmentally responsible way	Maintain an appropriate and approved Customer Service Charter	Ensure that sufficient funds are available to fund the replacement of Aqwest's assets without having to take on debt	Carry out effective training and mentoring programs	Adhere to modern Corporate Governance Principles	Provide water quality in accordance with the 2004 Australian Drinking Water Guidelines (ADWG).	Develop corporate relationships with community based organisations

Agency Performance

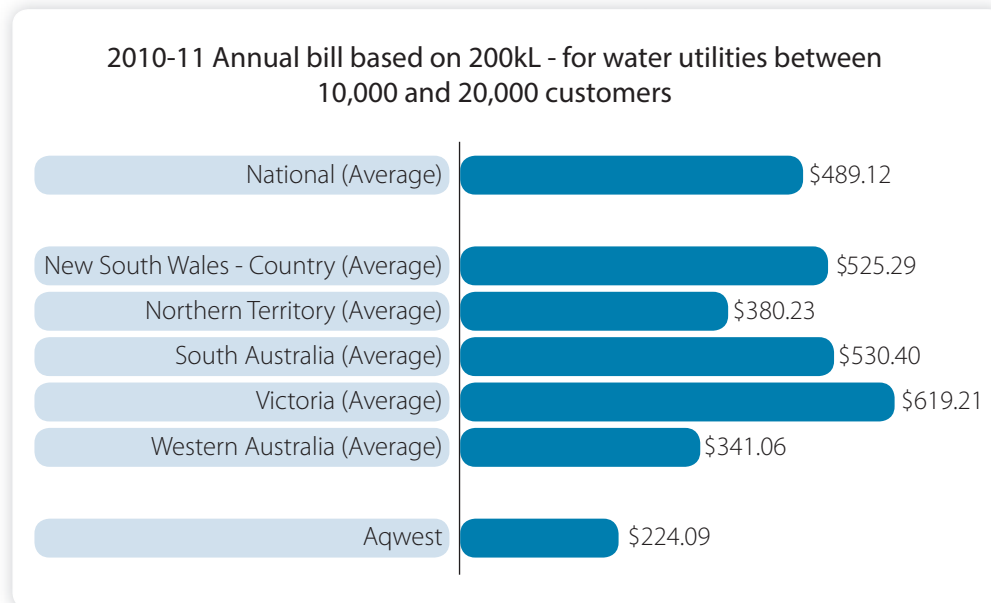
Key Result Areas

Explanation of Key Result Areas							
	Sustainability	Customer Service	Forward Planning	Human Resources	Regulatory Performance	Water Quality	Community Engagement
Commitment	Permanence	Excellence	Vision	Development, Equity & Safety	Compliance	High Quality	Communication
Objectives	Meet all community obligations and responsibilities	Meet all commitments of the Customer Service Charter	Proactively investigate opportunities to expand the business	Maintain a safe working environment and maintain high levels of staff morale	Promote Aqwest's interests in the regulatory process and participate in any regulatory or statutory change	Continue investing in water production, treatment and distribution infrastructure	Maintain a positive public profile
	Stay committed to State and Federal Government sustainability initiatives	Value the feedback received from customers and complete an annual Customer Survey to encourage such feedback	Maintain an effective risk management system	Engage the necessary expertise to undertake staff profiling and early intervention programs	All compliance requirements including all audits and the National Water Initiative	Draw on the combined water quality expertise of a range of stakeholders by maintaining a Water Quality Committee	
	Steadily progress to a position of pricing for sustainability		Continue to invest in demand management and water conservation initiatives				

Agency Performance

National Water Initiative Results

The National Performance Report for Urban Water Utilities as produced by the National Water Commission demonstrates that Aqwest has the lowest typical residential bill and lowest residential bill for 200kL in Australia. Aqwest also has one of the lowest operating costs per property in Australia. This means Aqwest is arguably one of the most efficient water utilities in Australia for those utilities that have between 10,000 and 20,000 connections.



(Data sourced from National Water Commission, National Performance Report 2010-2011, Urban Water Utilities.)

Agency Performance

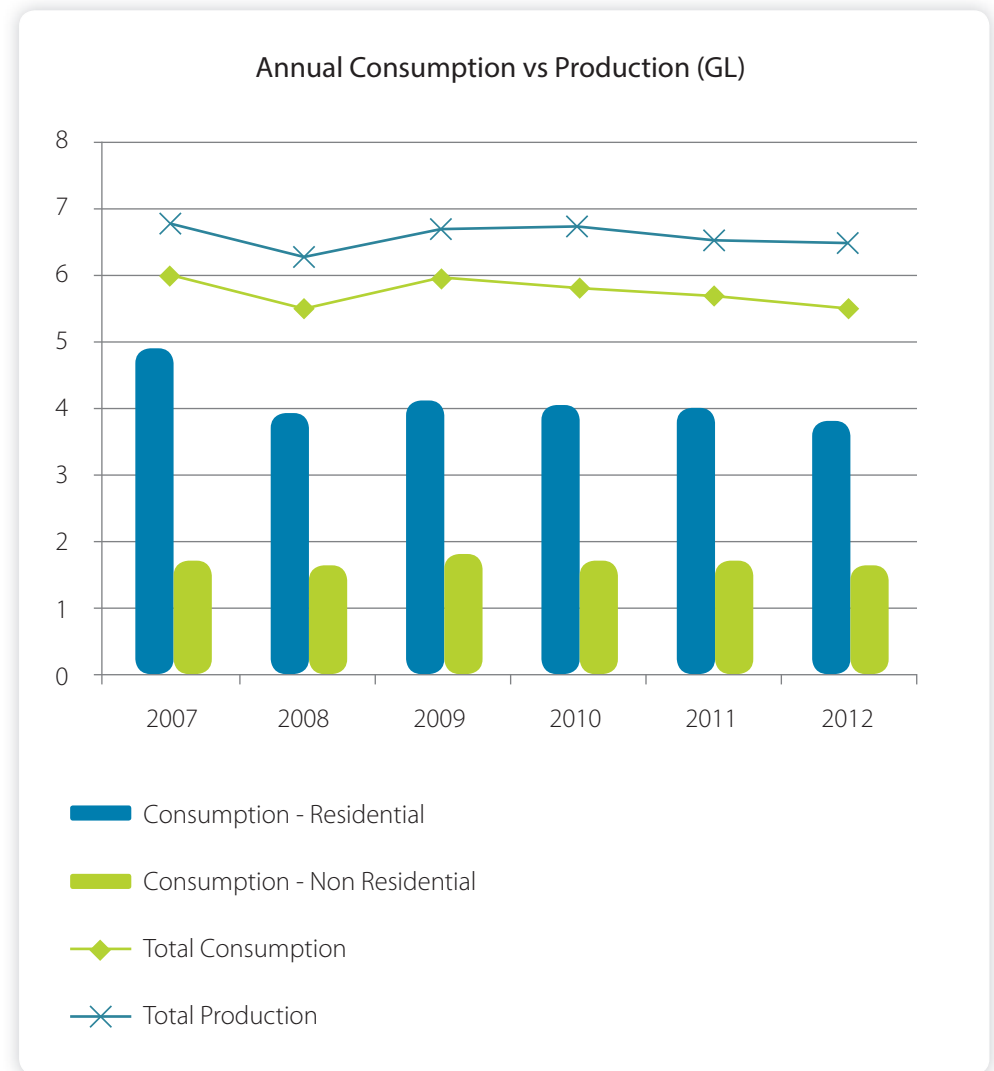
Production and Consumption Statistics

Production Statistics

Year	Production (GL)
2007	6.78
2008	6.29
2009	6.67
2010	6.72
2011	6.49
2012	6.47

Consumption Statistics

Year	Residential Consumption (GL)	Non-Residential Consumption (GL)	Total Consumption (GL)
2007	4.93	1.74	6.04
2008	3.91	1.62	5.53
2009	4.12	1.81	5.93
2010	4.05	1.76	5.81
2011	3.99	1.70	5.69
2012	3.81	1.65	5.46



Agency Performance

Community Relations

Aqwest continued to connect with customers via its fortnightly On Tap published in the Bunbury Mail. Stories included introducing trainees, planning for the future, water conservation and water pricing.

During the year, Aqwest launched its Rehydration Station, which is a purpose built water cart that not-for-profit organisations can hire free of charge for their events. It can also be used for scheduled water interruptions so customers still have access to a water supply.

During National Water Week (16-22 October) Aqwest had a very interactive display at the Bunbury Forum Shopping Centre. Staff gave away lots of goodies and free gifts including water saving tip sheets, water measuring cups, bumper stickers encouraging customers to read their water meters, watering rosters on fridge magnets, and four-minute shower timers. Customers also had the opportunity to win hampers by guessing the volume of water in two competitions.

The main attraction at Water Week was a front-loading washing machine donated by a prominent Bunbury white goods retail store. Board Member Judy Jones drew the winning entry and a local Dalyellup resident won the machine.

Aqwest's promotional vehicle, called the Messenger, with its water wise messages is used by the meter reader and other staff and continued to cruise the streets of Bunbury reminding people about the watering roster.

Aqwest's Summer Water Conservation Program began with radio advertising on three local stations and this coincided with waterwise articles in the fortnightly On Tap. Tip sheets on how to save water in the home and garden were also available from Aqwest's Water Service Centre along with four-minute shower timers.

The water conservation message was highly successful and despite a long hot summer water usage was well within the target range.

Since a new calculation method was adopted in 2010, the trend for average water consumption is:

- 2010 277 kL
- 2011 269 kL, and
- 2012 255 kL.

Aqwest continued to be involved with the "Waterwise Schools Program" with two schools being presented with certificates to acknowledge them as Waterwise Schools.

The Photographic Competition continues to be a success with around 150 entries. A presentation was held at a local café where the winners received certificates and cash prizes. The winning photographs were featured in a calendar which was distributed to all entrants and participating schools. It was also freely available from Aqwest's Water Service Centre.

The success or otherwise of Aqwest's relations with the community is measured by a number of questions in the annual Customer Satisfaction Survey and the results have confirmed customers are satisfied with the way Aqwest communicates with them.

Agency Performance

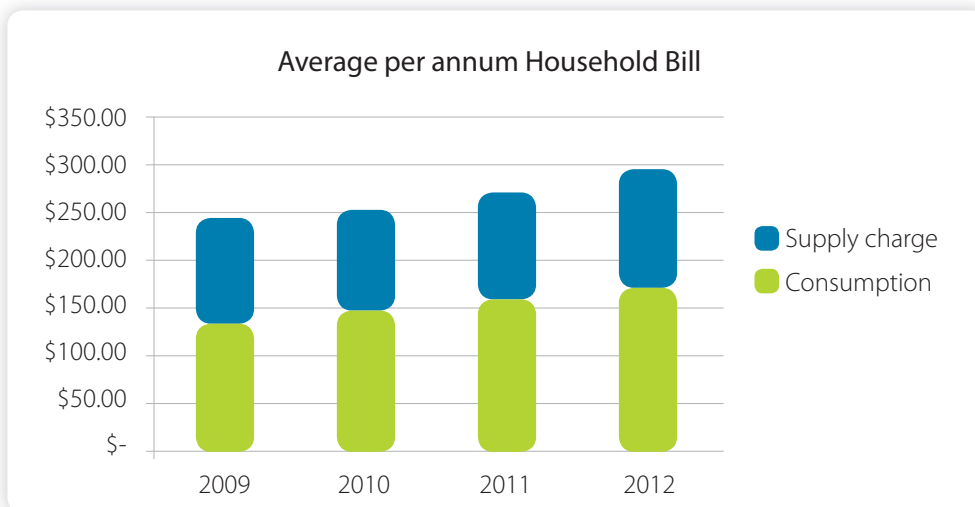
Pricing

The Government endorsed recommendations applicable to Aqwest from the Economic Regulation Authority's Inquiry into the Tariffs of the Water Corporation, Aqwest and Busselton Water for the 2011-2012 financial year. As a result of the endorsed pricing pathway, the average household residential bill increased by approximately 8.4 per cent for the 2011-2012 financial year, based on an average consumption of 255kL (KPI S3),

The table below shows the average household bill for 2011-2012 and three prior years.

Average Household Bill

	2012	2011	2010	2009
Supply Charge	\$121.54	\$112.09	\$104.00	\$100.00
Consumption (255kL)	\$172.65	\$159.30	\$148.50	\$143.85
Total Bill	\$294.19	\$271.39	\$252.50	\$243.85
Increase on prior year	8.4%	7.5%	3.5%	3.2%



The 2011-2012 (and prior three years) consumption charges are shown in the table below:

Residential Consumption

Consumption kilolitres (kL)	2012	2011	2010	2009
0 to 150kL	\$0.50	\$0.46	\$0.43	\$0.42
151 to 350kL	\$0.93	\$0.86	\$0.80	\$0.77
351 to 500kl	\$1.33	\$1.23	\$1.14	\$1.10
501 to 700kl	\$1.77	\$1.63	\$1.51	\$1.45
701 to 1,000kl	\$2.11	\$1.95	\$1.81	\$1.74
> 1,000kl	\$2.32	\$2.25	\$2.65	\$2.55
Change on prior year (average of tiers)	7.5%	3.8%	3.7%	3.1%

The consumption charges for non-residential customers were increased by the amounts as shown in the next table:

Non-Residential Consumption

Consumption kilolitres (kL)	2012	2011	2010	2009
0 to 1,000kL	\$1.20	\$1.01	\$0.82	\$0.79
> 1,000kl	\$1.36	\$1.28	\$1.21	\$1.17
Change on prior year (average of tiers)	11.79%	12.81%	21.42%	16.11%

Agency Performance

Pricing

The 2011-2012 (and prior year) annual supply charges are shown in the table below:

Non-Residential Supply Charge

Meter Size	2012	2011	2010	2009
20mm	\$222.04	\$306.91	\$ 389.00	\$ 299.20
25mm	\$346.93	\$479.56	\$ 606.00	\$ 466.40
40mm	\$888.16	\$1,227.66	\$ 1,556.00	\$ 1,196.80
50mm	\$1,387.74	\$1,918.22	\$ 2,431.00	\$ 1,870.00
80mm	\$3,552.63	\$4,910.65	\$ 6,224.00	\$ 4,787.20
100mm	\$5,550.99	\$7,672.88	\$ 9,725.00	\$ 7,480.00
150mm	\$12,489.73	\$17,263.99	\$21,881.00	\$16,830.00
Change on prior year (equal across meter sizes)	-27.65%	-21.10%	30.01%	37.75%

Customer Rebates

Aqwest provides a rebate to owners and tenants who are holders of a Pensioner or a Senior Card. The rebate applies to water supply fees and water consumption and is assessed on the following basis:

Supply Fee

Pensioners	50% rebate
CSHC* and Seniors	50% rebate
Seniors	25% rebate

* CSHC = Commonwealth Senior Health Card

Water Consumption

Pensioners	50% up to 350kL
Seniors	50% up to 150kL

Agency Performance

Capital Works Program

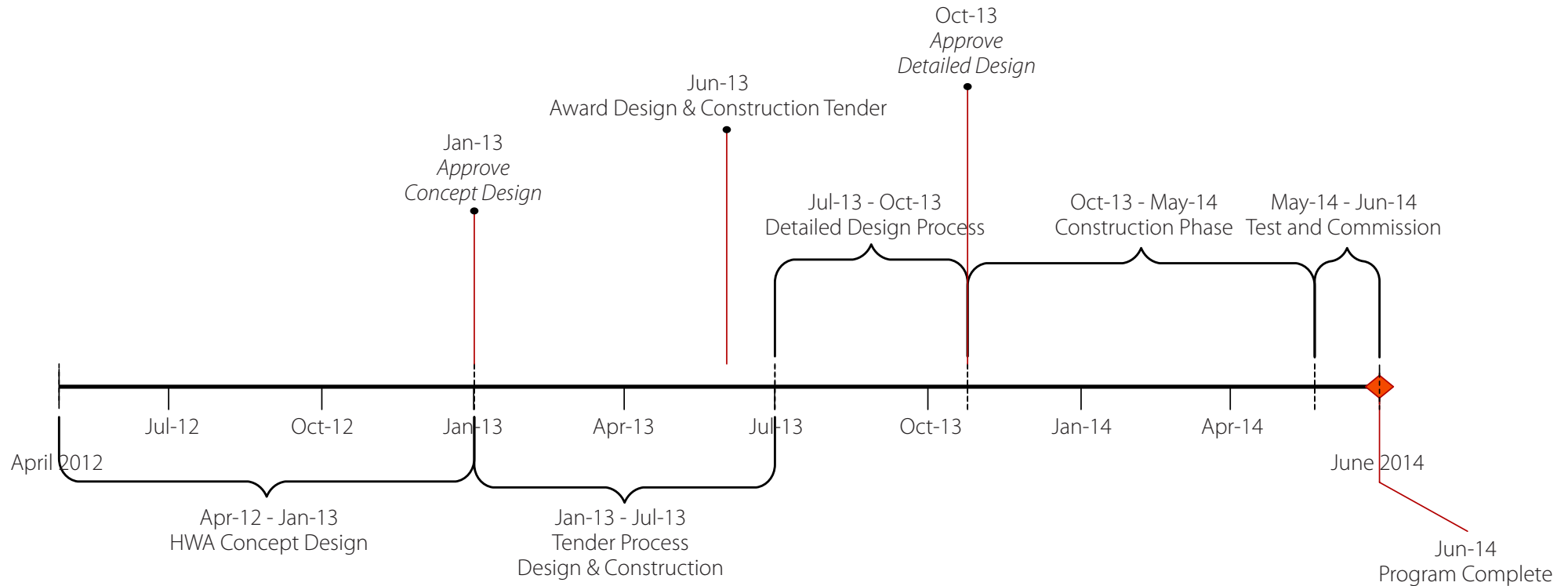
A variety of pivotal projects were featured in the 2011-2012 Capital Works Program, which further progressed Aqwest's planning commitment to ensure that facility location, system capacity and capability are always sufficient to meet future demand.

At Aqwest's future water treatment plant site located at Glen Iris, a 4 million-litre storage tank and high capacity pump station were built at a total cost of more than \$2.5 million.

The pump station was commissioned in March 2012 and has provided increased storage and hydraulic capability.

Ultimately the Glen Iris site will become Aqwest's next water treatment and storage facility when the high quality Yarragadee aquifer bore (drilled in late 2009) is equipped and the treatment plant phase of the project is complete.

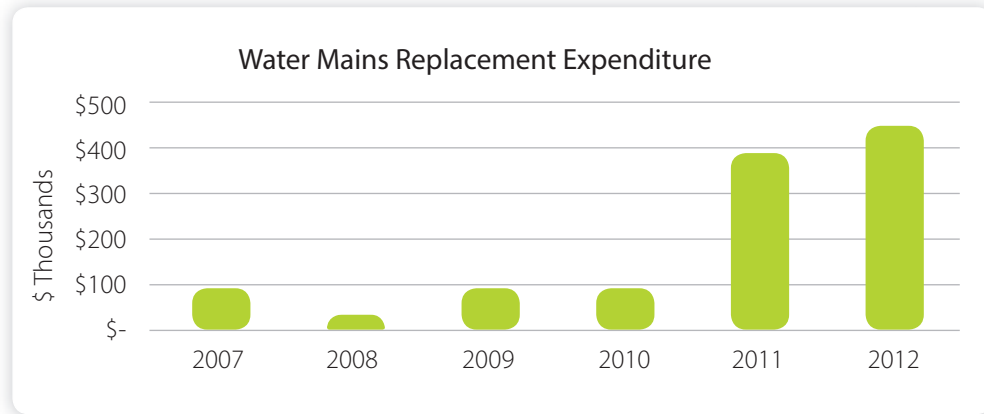
Work on the concept design for the water treatment plant commenced during the 2011-2012 financial year and is progressing well. The timeline below shows the schedule for completing the project throughout its remaining stages.



Agency Performance

Capital Works Program

During this reporting period, mains replaced as part of the replacement program for ageing water distribution infrastructure resulted in a sustained improvement in delivery with the expenditure in this area increasing for the past two financial years.



The Skewes Water Treatment Plant was taken offline this year to refurbish its filtration systems. All of the internal pipe work and filter media were replaced for each of the three pressure filter vessels providing a substantial improvement in performance and significantly extending the life of the asset.



The ongoing valve replacement program has also achieved excellent results this year with the replacement of several critical distribution network valves.



Removing the 450 mm trunk main valve on Underwood Street after 41 years of service.

Agency Performance

Customer Complaints

Aqwest recognises that supplying its customers with a high quality uninterrupted water supply is critical.

Aqwest operates a 24-hour emergency contact service as required by its Operating Licence. Customers are notified within one hour of the action to be taken.

Customers are entitled to express valid concerns and have their query responded to in a timely, professional manner with the least amount of inconvenience where possible. Whether complaints are financial or relating to water supply, customers are kept fully informed on the progress of their complaint until a solution is found.

Complaint statistics for the period 1 July 2011 to 30 June 2012 were as follows:

Category	No.
Water quality	143
Pressure or flow	77
Accounts	8
Other	10
Total	238

Complaint Resolution	No.
Resolved by routine business practices	238
Unresolved	0
Total	238

Written Complaints	No.
Total number of written complaints	18
Number of written complaints resolved in 15 days	17
Number of written complaints resolved in more than 15 days	1
Number of complaints outstanding at 30 June 2012	0

Agency Performance

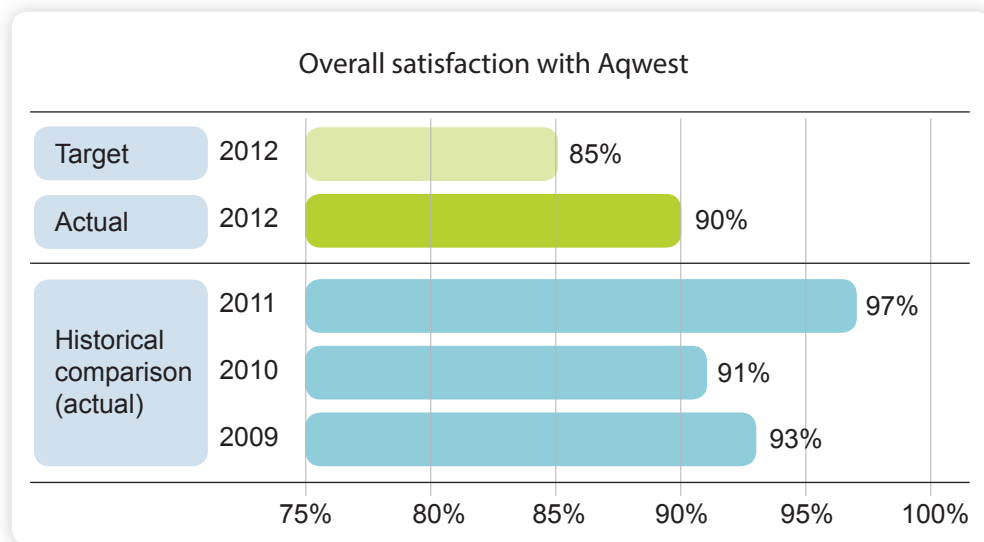
Customer Satisfaction Survey

Aqwest's objective is to achieve excellence when providing services to customers. An annual customer survey is conducted to measure service levels. Management Performance Indicators CS1 and CE1 set the target of nine out of nine survey categories meeting at least an 85 per cent customer satisfaction rating, a target which has remained unchanged since 2009.

In the 2011-2012 Customer Satisfaction Survey, an overall satisfaction rating of 90 per cent was achieved. Again, the 2012 Survey provided valuable feedback on Aqwest's performance. Whilst the majority of issues have been previously identified in prior Surveys, the onus remains with Aqwest to continually improve.

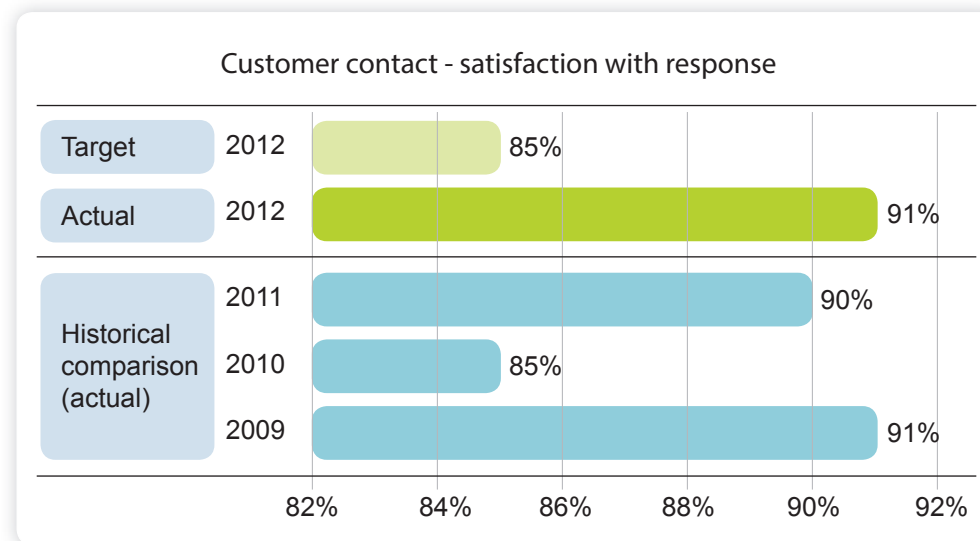
i) Overall satisfaction

90 per cent of customers were satisfied overall with Aqwest's services, moving towards trend levels of satisfaction.



ii) Customer contact

90.9 per cent of customers, who had contacted Aqwest in the past 12 months, were satisfied with the response they received, achieving the highest level within this data series. The reasons for dissatisfaction were that the problem remained unresolved (66.7 per cent) and that the response received was unsympathetic (33.3 per cent).

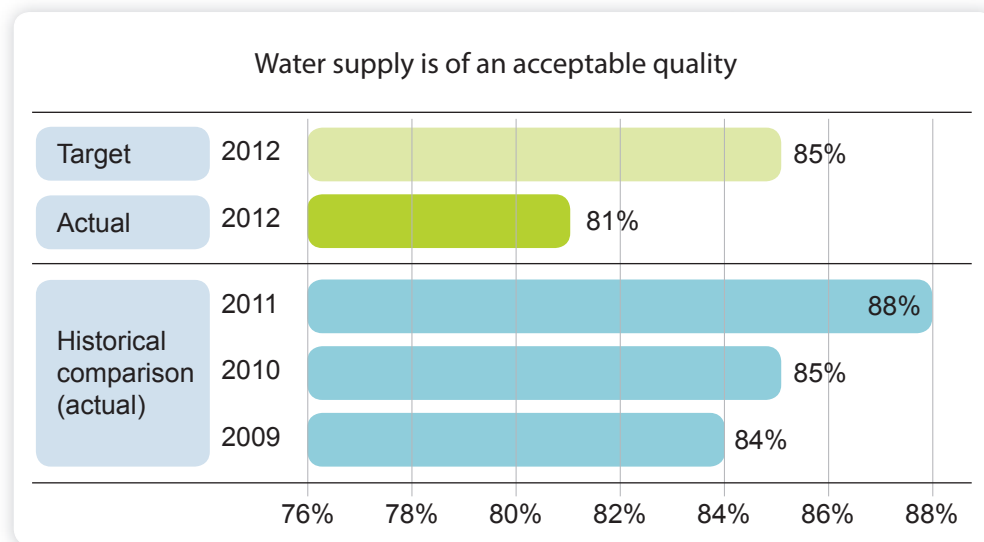


Agency Performance

Customer Satisfaction Survey

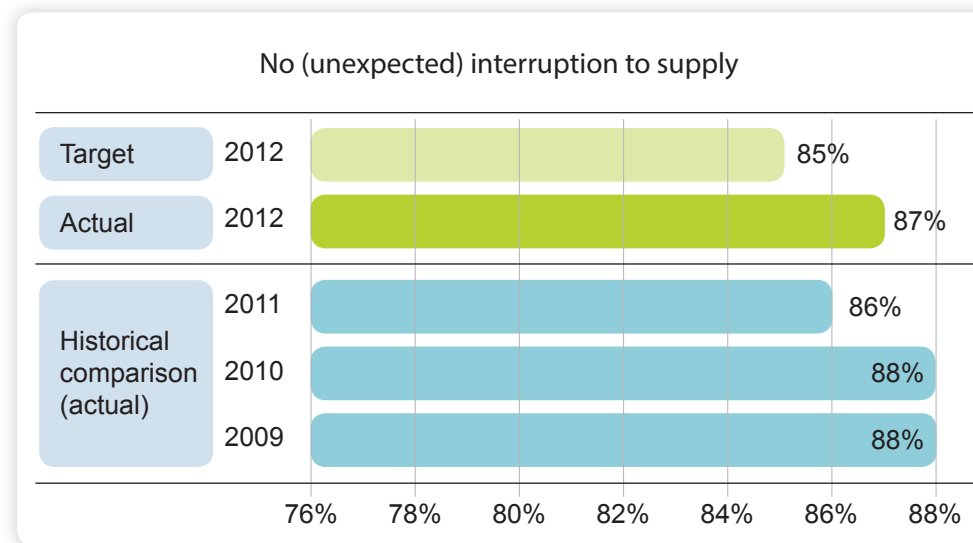
iii) Water quality

More than eight in ten respondents (80.9 per cent) believed that Aqwest supplied water of an acceptable quality, whereas one in eleven (9.1 per cent) said that it does not. This is consistent with the overall trend seen in this data series.



iv) Service interruptions

87.3 per cent of respondents had not experienced unexpected interruptions to their residential service, and 73.3 per cent had not experienced planned interruptions, in the last 12 months. Of those who had experienced planned interruptions, 93.5 per cent were contacted prior to the interruption. This level is a significant improvement on that achieved in the previous two years.

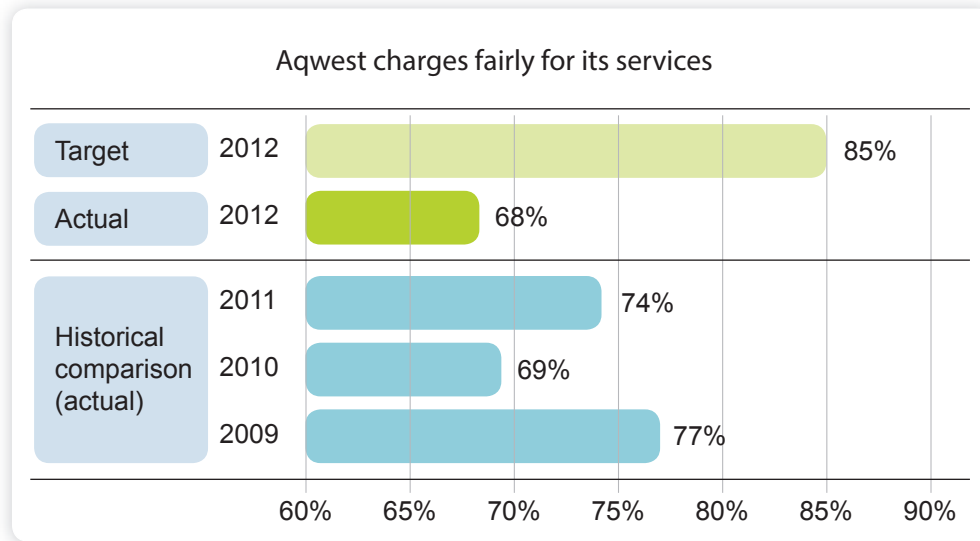


Agency Performance

Customer Satisfaction Survey

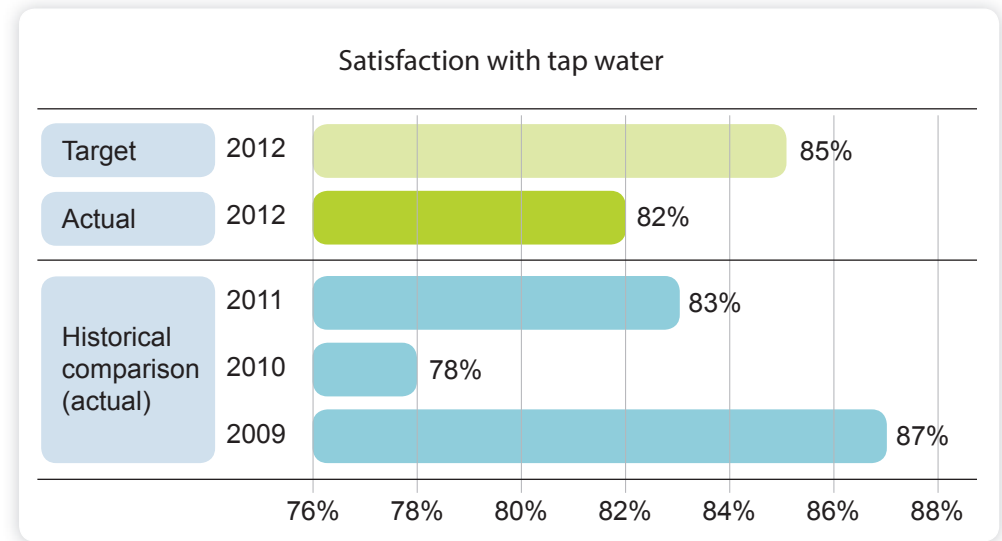
v) Charges

68 per cent of respondents believed that Aqwest charged fairly for its services. This represented a move back the 2010 level. The proportion of those who believed that Aqwest did not charge fairly (11 per cent) had risen compared to 2011 back to the 2010 level. It was primarily based on the view that charges were too high (77.8 per cent) and were increasing (8.9 per cent).



vi) Satisfaction with tap water

82.4 per cent of respondents were satisfied with the quality of the tap water service provided by Aqwest. This represented a slight decrease on the 2011 result, but remained significantly higher than the 2010 level. Those who were dissatisfied (9.5 per cent) were concerned primarily about the taste and smell of the water (38.5 per cent) including that caused by chlorine (30.8 per cent) in the water.

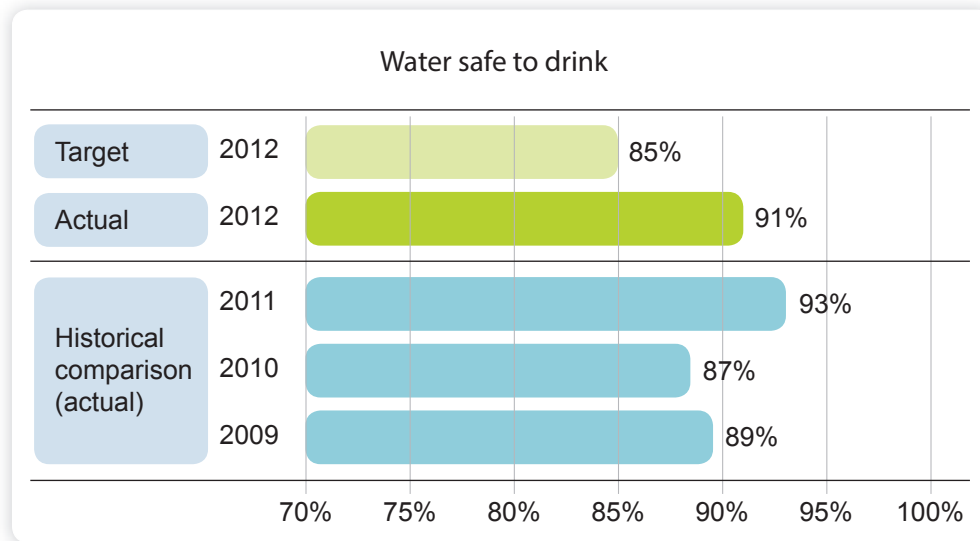


Agency Performance

Customer Satisfaction Survey

vii) Water drinkability

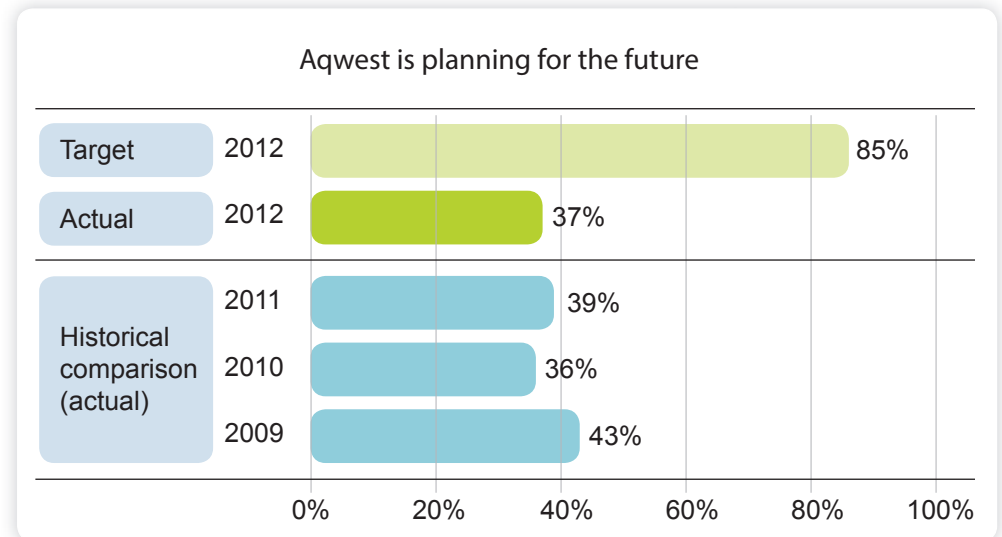
91.4 per cent of respondents believed Aqwest’s water was safe to drink and 3.7 per cent thought it was not safe. The main concerns of those who thought it was not safe were the bad taste and smell of the water (33.3 per cent) and the chemicals in it (20 per cent).



viii) Planning for the future

37.4 per cent of respondents believed that Aqwest was planning effectively for the future while 5.8 per cent believed it was not. 14.4 per cent were neutral and 42.3 per cent did not know, indicating that the majority of respondents (56.7 per cent) could not say whether Aqwest was planning or not.

Respondents who believed that Aqwest was not planning effectively mainly base this on a view that Aqwest was not recognising how Bunbury was growing and changing (25 per cent), had no plans for the future (16.7 per cent) and was not using enough dams, reservoirs or water tanks (16.7 per cent).



Agency Performance

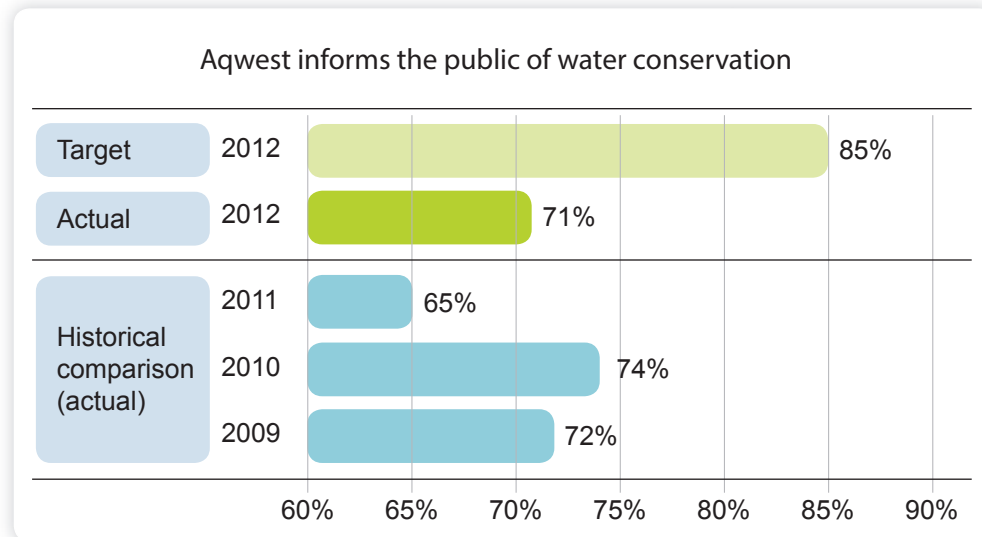
Customer Satisfaction Survey

ix) Water conservation

70.7 per cent of respondents believed Aqwest was actively involved in water conservation, 8.3 per cent did not and 13.9 per cent were unsure. This represented a move back towards the higher levels achieved in the 2008-2010 period.

The main reasons given by those who did not believe Aqwest was actively involved in water conservation were that Aqwest:

- Promoted water conservation inadequately (54.5 per cent), and
- Had in place guidelines that were not strong enough (21.2 per cent).



Agency Performance

Human Resources

Annual Staff Attitudinal Survey

Aqwest is committed to providing an environment that allows all employees the opportunity to thrive.

An annual staff survey is conducted which is designed to compare organisational performance against Australian Quality Award criteria.

The 2012 results were above the Australian averages in all categories, with the exception of Organisational Performance. The survey results are Management Performance Indicator HR1, with a target of nine out of nine categories being above the Australian Average.

Individual ratings on survey questions are converted into a single index to show individual responses under each category. Each index is also based on the scale of 1 to 5, with "1" being the most negative organisational response and "5" the most positive.

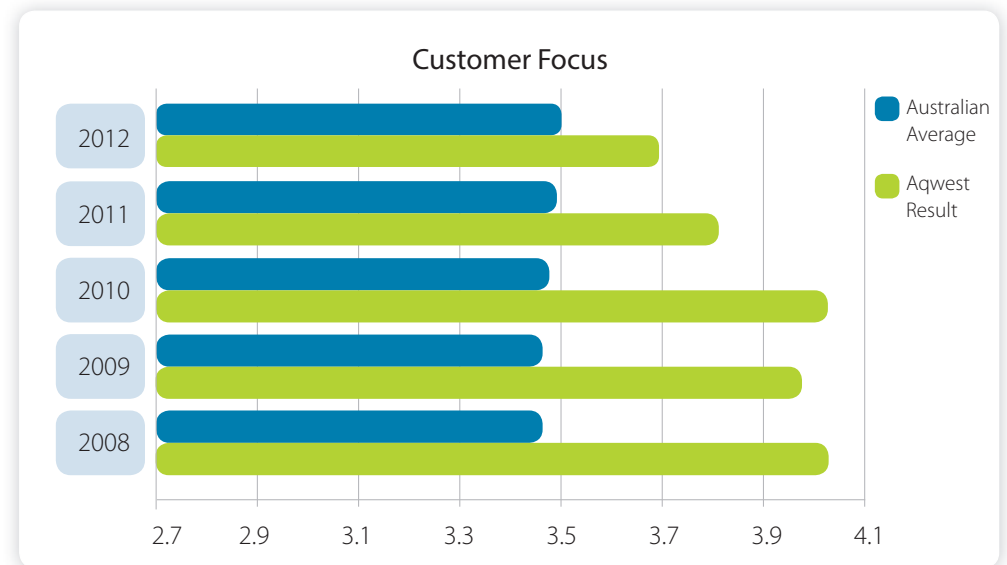
Comparison is made to Australian averages, which is based on responses obtained whilst surveying organisations in both the public and private sectors.

Results of the 2012 survey were as follows:

i) Customer Focus

This category explores how Aqwest looks after its customers.

Employees rated customer focus as Aqwest's strongest attribute. The workforce strongly believes it is delivering a high quality service to its customers. Customer focus remains a very positive feature of Aqwest's performance and again rates highly when employees are asked to rank the best things about working for Aqwest.



Agency Performance

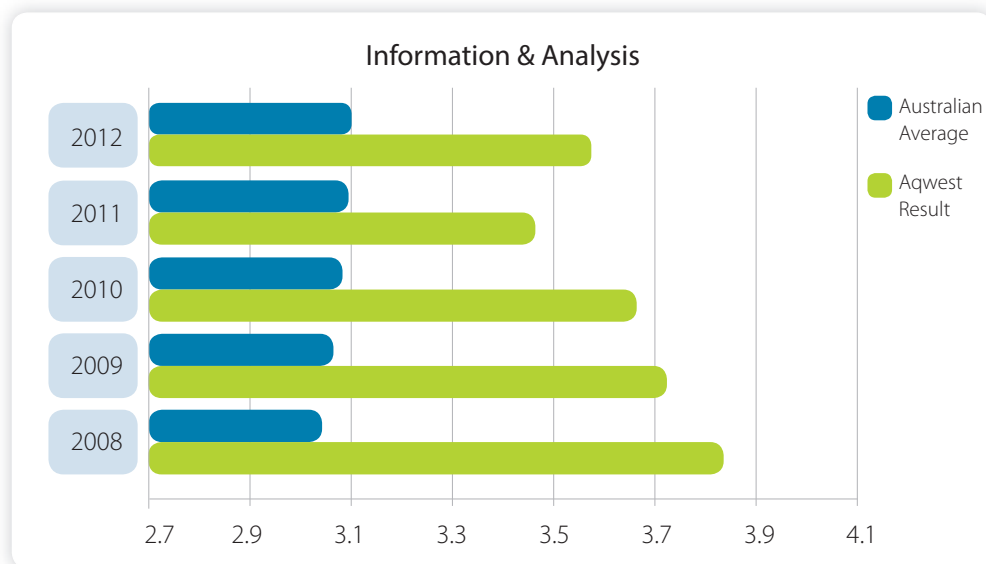
Human Resources

ii) Information and Analysis

This category explores the availability and use of meaningful information on the aspirations and performance of Aqwest.

Employees felt more connected to the broader organisation and its long term business plans than they did in the 2011 survey. They also felt more strongly connected to what was expected of them at their work group level.

In the 2011 survey it was noted that Benchmarking was ranked as the third highest priority in changing Aqwest for the better. This was unusually high for this issue. For the 2012 survey it received a much lower ranking.



iii) Organisational Performance

This category explores how Aqwest addresses issues of change.

There has been some improvement in the confidence of the workforce that it can make a contribution to future change and improvement. Employees are also strongly of the view that continuous improvement is important for Aqwest.

Issues of pay, recognition and reward have been more prominent than the issue of quality improvement, at least in the minds of the workforce.



Agency Performance

Human Resources

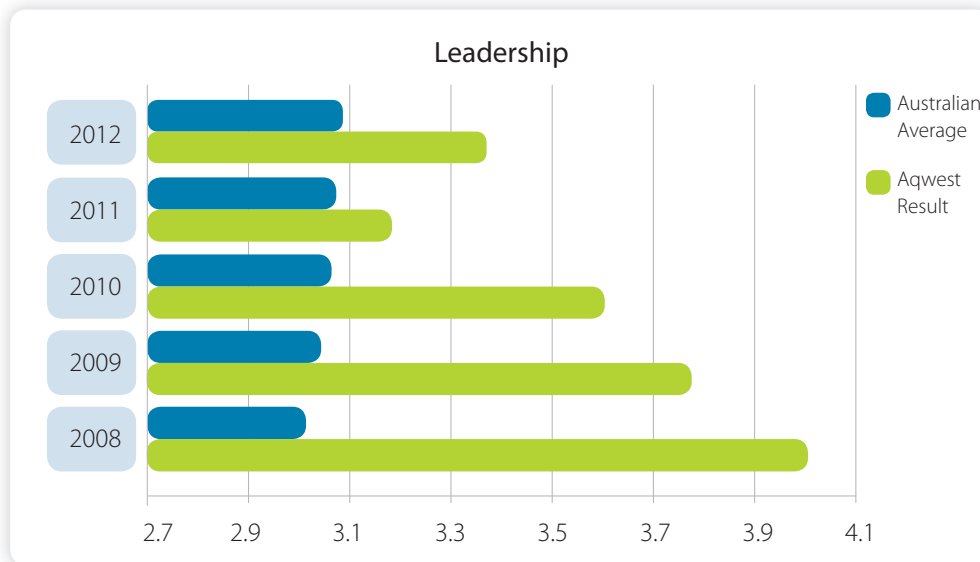
iv) Leadership

This category explores the role and style of the senior management within Aqwest.

Perceptions of leadership within the organisation were negative during Enterprise Agreement negotiations in the 2011 survey. There is some improvement in the 2012 results.

Respect for all levels of leadership has shown the strongest improvement. Immediate supervisors are the closest level of leadership to the workplace and are, once again, seen in a positive light. Responses to management style are around the longer term average. Respect for immediate supervisors is now above average.

After taking a quite negative view of the timeliness of decision-making throughout the organisation in the 2011 survey, employees are now much more positive. This response is now once again well above the long term average for this question. It should be noted that an Enterprise Agreement took an extended time to negotiate in 2011.

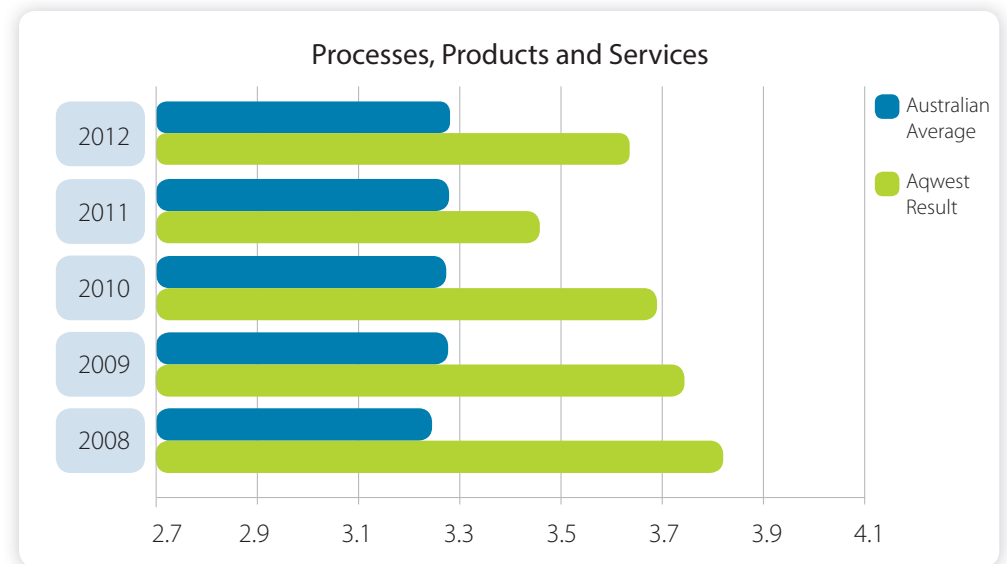


v) Processes, Products and Services

This category explores how Aqwest handles the generation and delivery of services.

Awareness of the need for quality performance is stronger now than it was in the 2011 survey.

Once again, employee awareness of quality at the level of each work area remains in line with recent survey results and the long term average response for this question.



Agency Performance

Human Resources

vi) Individual Employment

This category examines individual employment circumstances.

This performance index has improved since the 2011 survey due to a reduced focus on an immediate pay rise. Poor pay is now not rated as the worst thing about working for Aqwest, and higher wages is a lower ranked attribute in changing Aqwest for the better. This less intense focus on immediate remuneration has not lessened concern at the broader issue of recognition and reward for good performance.

This concern is also reflected in the response to the related question of career path and promotional opportunities. It should be noted that this question has typically produced a more negative response.

This concern is also underlined by the Aqwest workforce ranking poor career prospects as the worst thing about working for the organisation. Similarly, when it is asked what would change Aqwest for the better, career paths is ranked as the third highest attribute.

Responses to other individual employment circumstances are very positive. Feedback about performance remains around the long term average.

Job satisfaction has strengthened markedly and has almost returned to the long term average for Aqwest surveys.

Job satisfaction/interesting work is very clearly the thing that Aqwest employees most like about working for the organisation. They also rank fellow employees as the second best feature of the workplace.

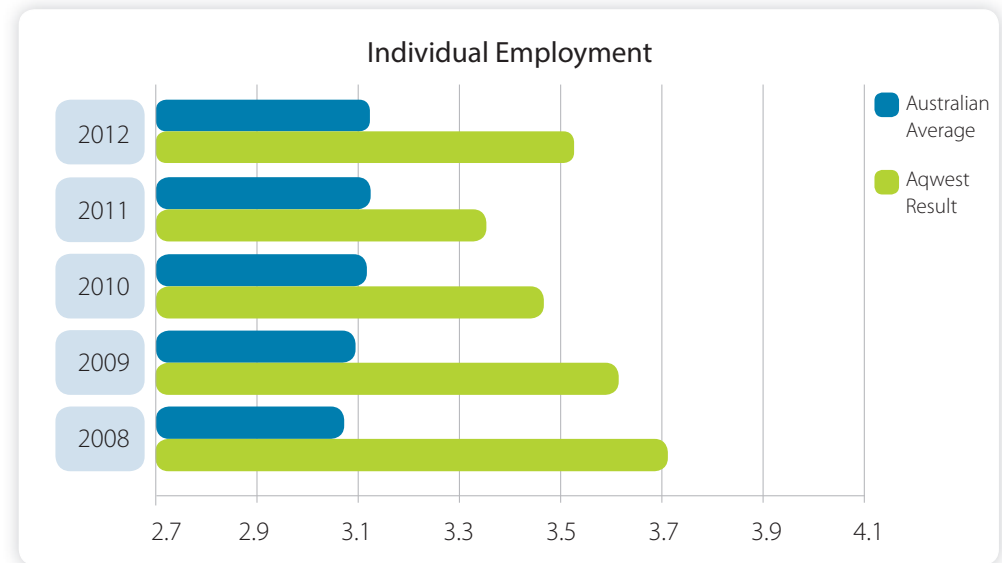
Employees' assessment of health and safety provision is excellent – a further improvement over the 2011 survey result and the most positive response to any of the questions.

Perceptions of job security remain strong and have grown since the 2011 survey.

There is a renewed view among the workforce that everyone is strongly encouraged to show initiative in their work performance.

This is emphasised by the higher ranking given this time to ability to take the initiative as one of the best things about working for Aqwest.

Excessive workload has again emerged as a significant workforce concern. Six months ago it had declined in importance, perhaps as issues of remuneration took the focus. In the 2012 survey it is rated as the second worst thing about working for Aqwest.



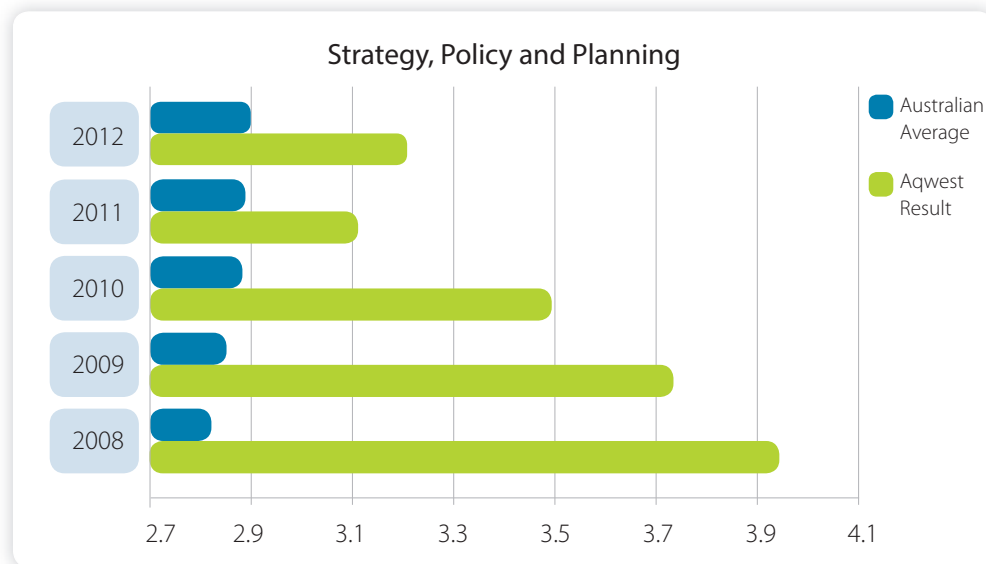
Agency Performance

Human Resources

vii) Strategy, Policy and Planning

This category explores the role of values, goals and objectives in Aqwest.

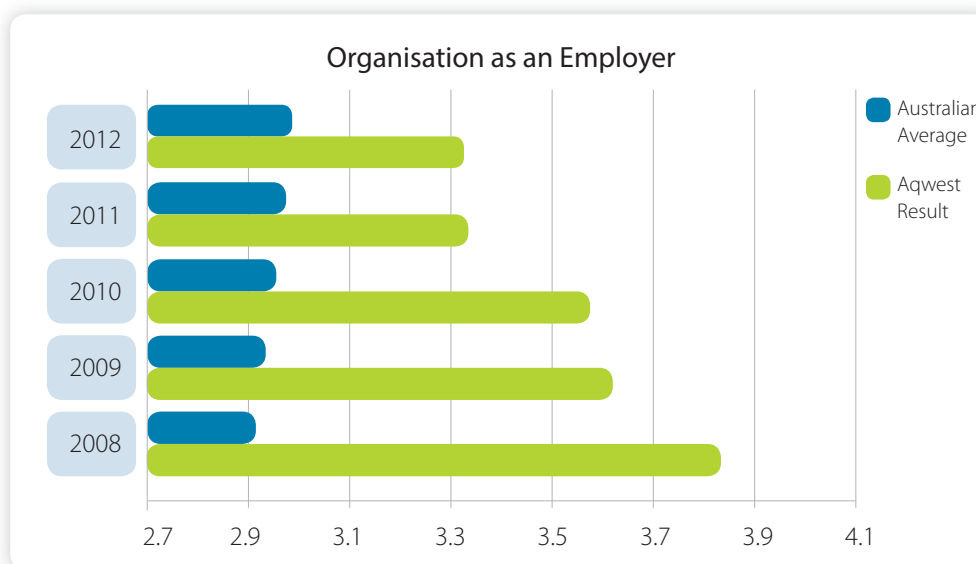
There has been an improved sense of connection with and understanding of the future since the 2011 survey. Employees continue to see Aqwest as a values-driven organisation.



viii) Organisation as an Employer

This category explores the planning and delivery of human resources in Aqwest.

Aqwest employees have a much more positive view of their employer than when the Enterprise Agreement was being negotiated in 2011. Their rating has returned to just short of the long term average response.



Agency Performance

Human Resources

ix) Workplace as part of the organisation

This category explores morale, teamwork and communication.

There remains a very positive sense of cohesion within Aqwest. Employees are again quite upbeat about the extent of co-operation between all staff and especially positive about the co-operative nature of their own work areas. There has been improvement in both these responses since the 2011 survey.

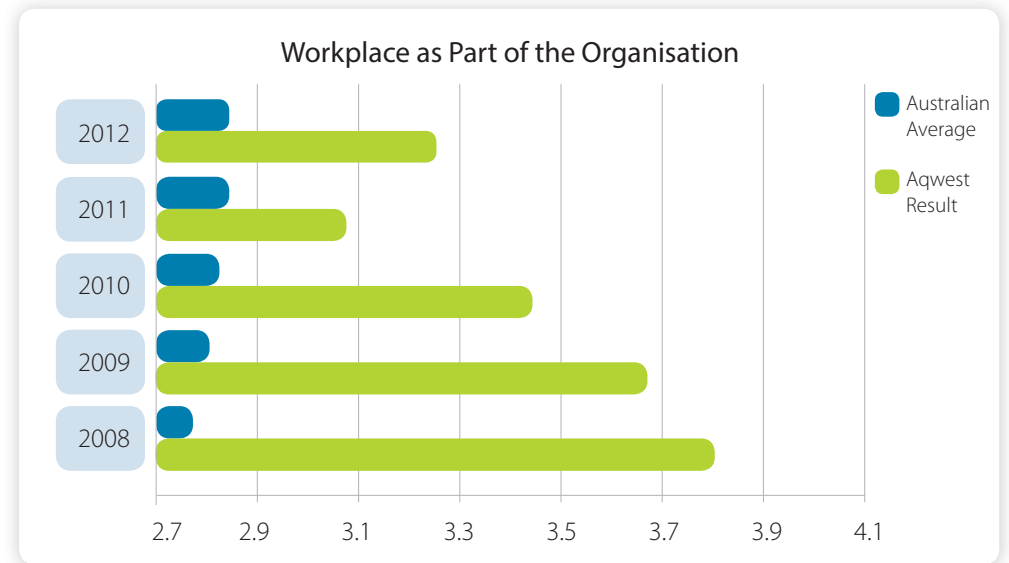
Although, there is a continuing concern that not everyone is contributing in the way they should, the response to this question is now closer to the long term average than it was in the 2011 survey.

The growing concern about the extent to which employees can rely on information being conveyed to them that was noted in the 2011 survey has remained in this survey.

Improved communications and information sharing rank highly (fifth and sixth respectively) when employees were asked what would change Aqwest for the better.

There was quite a substantial slump in morale recorded in the 2011 survey. This has been reversed and although perceptions of morale have not yet returned to the stellar ratings of 2008 and 2009, this survey's response is once again above the long term average for this question.

Whereas poor morale was rated equally the second worst thing about working for Aqwest in 2011, it is a relatively minor concern in the 2012 survey.



Agency Performance

Human Resources

Staff Numbers

The number of employees by category in comparison with the preceding financial year is shown below:

Staff Category	Full time equivalents	
	2011-2012 (12 months)	2010-2011 (12 months)
Finance/Administration	15.68	13.40
Engineering	6.00	5.26
Operations	16.00	16.57
Agency	0.42	0.74
Total	38.10	35.97

Training and Development

Aqwest has a strong commitment to the training and development of staff through the objectives stated within the Strategic Development Plan, which are:

- Improve capabilities of both employees and systems to support growth opportunities, and
- Develop a multi skilled work and flexible workforce through effective training and mentoring programs.

A Memorandum of Understanding has been in place with the Water Corporation for more than three years, which delivers training in accordance with the National Water Industry Training Package. This arrangement has been highly successful with the vast majority of operations staff now possessing either the Certificate II or Certificate III in Water Industry Operations. Aqwest has a full time Safety Training and Compliance Officer which ensures that the focus in this area is maintained.

Training has also been provided for supervisory staff in Frontline Management to Certificate IV level.

Ongoing support is provided for professional development for Aqwest's Certified Practising Accountants.

Aqwest recognises that it has a responsibility to contribute to the development of people and communities by employing trainees. This year Aqwest employed trainees in the areas of Water Treatment and Civil Engineering in an ongoing program, which is set to expand to other areas of the business.

The Board supports study leave being granted to employees who are undertaking studies relevant to their duties. Additional study leave may be granted to trainees. Tuition fees are reimbursed when a substantial portion of the course has been successfully completed within a reasonable period.

Staff attendance at relevant training courses and conferences is encouraged including national forums convened by the Australian Water Association, Victorian Water Industry Association and the Water Industry Engineers and Operators Association of Victoria.

Agency Performance

Risk Management

Aqwest acknowledges that managing risk is an integral part of good management practice. There is a direct relationship between risk and opportunity in all business activities and Aqwest needs to be able to capitalise on those opportunities to achieve the organisation's objectives. A comprehensive understanding of the risk that Aqwest is exposed to will ensure effective planning and allocation of resources, and encourage a proactive management culture, with flow on benefits for every aspect of Aqwest's operations.

The assistance and guidance provided by RiskCover for both risk management and business continuity planning is highly valued. The RiskBase software hosted by RiskCover is the foundation of Aqwest's risk register. All risks are reviewed regularly and when new risks are identified they are added to RiskBase.

The Board has a Risk Management Committee, Risk Management Manual and Risk Management Policy and conducts an annual workshop session to specifically review risks at Board level and identify any additional risks.

Review of risk management documentation and risks is a continuous ongoing process.

Significant Issues Impacting the Board

Current Issues and Trends

Profitability

As demonstrated below ongoing profitability has become a significant issue for Aqwest:

Year	Operating Profit/(Loss)
2010-2011	(\$123,930) Actual
2011-2012	\$248,533 Actual
2012-2013	(\$638,000) Projected
2013-2014	\$113,700 Projected
2014-2015	\$165,200 Projected

Water production and water consumption

Despite ever-increasing connections both water production and consumption are trending down. This is strong evidence of customers' ongoing long term commitment to water conservation.

Emerging Issues and Trends

Debt funding

Aqwest has been debt free since the mid 1990s but will reluctantly be required to access borrowings in forthcoming financial years. The target for the debt to equity ratio has been modified accordingly. The 10 year Finance Plan indicates that the debt can be accommodated and paid in full during the term of the Plan.

Business expansion

Aqwest is ready, willing and able to expand into adjacent areas and deliver local service to thousands of customers.

Corporatisation

Bunbury Water Board (trading as Aqwest) will become the Bunbury Water Corporation (trading as Aqwest) when the Water Services Legislation Amendment and Repeal Bill is enacted. The likely implementation date is 1 July 2013. An Action Plan for the implementation has been developed and Aqwest needs to ensure that requirements are adequately resourced.

Economic Regulation Authority Pricing Inquiry for period 2013-14 – 2015-16

It is essential that Aqwest identifies and is able to recover all legitimate costs through adequate pricing.

Disclosure and Legal Requirements

Legal Compliance

Compliance with the *Electoral Act 1907, (s175ZE)*

In accordance with Section 175ZE of the Electoral Act 1907, Aqwest incurred the following expenditure in advertising, market research, polling, direct mail and media advertising:

Media advertising organisations	\$101,451
Barb Clews and Associates	\$39,713
Express Print	\$9,545
Radiowest	\$10,800
Rural Press	\$9,937
South West Printing & Publishing	\$10,074
Mycre Display	\$8,210
Redwave Media	\$3,496
Dynamic Print	\$4,727
Bunbury Print	\$3,147
A & L Printers	\$1,134
The Local Link	\$668
Market research organisations	\$11,567
Strahan Research	\$11,567
Advertising agencies	Nil
Polling organisations	Nil
Direct mail organisations	Nil
Total expenditure	\$113,018

Compliance with the *State Records Act 2000 – (Standard 2, Principle 6)*

Aqwest's Recordkeeping Plan (developed in 2005) was last reviewed in May 2012. The latest version was submitted to the State Records Commission on 2 May 2012 and approval is currently pending.

In accordance with Standard 2, Principle 6 of the *State Records Act 2000*, Aqwest addressed key areas as follows:

1. The efficiency and effectiveness of Aqwest's recordkeeping system is evaluated not less than once every five years
 - a) TRIM software is subject to annual review to determine whether it continues to meet required business needs
 - b) Annual database integrity maintenance process completed
 - c) Informal annual reviews of recordkeeping system completed in recent years
 - d) Formal review of the recordkeeping system occurs at least once every five years.
2. Recordkeeping Training Program - Informal training provided to new employees upon commencement and to current employees if the requirement is identified.
3. Efficiency and effectiveness of the Recordkeeping Training Program are reviewed from time to time. Aqwest reviews the recordkeeping training requirements annually in conjunction with the individual employee performance appraisal process.
4. Aqwest's Induction Manual addresses roles and responsibilities in respect to Aqwest's Recordkeeping Plan.
5. *Public Interest Disclosure Act 2003* - The Board's Public Interest Disclosure (PID) Officer is the Chief Executive Officer.

Disclosures and Legal Requirements

Legal Compliance

Compliance with *Public Sector Management Act 1994, (s31(1))*

In accordance with Section 31 of the *Public Sector Management Act 1994*, Aqwest-Bunbury Water Board confirms there have been no compliance issues in respect to the public sector standards, codes of ethics and Aqwest's own Code of Conduct during the 2011-2012 financial year.

After being originally implemented in September 1998 the Staff Code of Conduct was again reviewed and updated during the financial year. Awareness of the WA Public Sector Code of Ethics is formally promoted throughout the year by formal training/awareness sessions. Aqwest's Human Resources Manual, Induction Manual and various policies support the application of both the Ethics and Conduct Codes.

Compliance in respect to both codes is assessed by internal audits and reviews, staff feedback through performance management and staff feedback at staff meetings. Managers, Supervisors and Coordinators have a role in promoting both Codes to all staff. A training session was again provided to all staff during the year to provide information about potential ethical conduct problems and managing conflicts of interest, which may arise in the workplace. The training also incorporated information in respect to the Public Interest Disclosure requirements. It is intended to repeat these sessions annually.

An annual independently conducted staff attitudinal survey using Australian Quality Awards criteria was conducted for the 18th consecutive year to assess staff attitudes in the conduct of Aqwest's activities.

A Workforce and Diversity Plan 2012-2015 has been completed and submitted to the Public Sector Commission as required by the Public Sector Commission Circular dated 21 February 2011.

Compliance with the *Disability Services Act 1993*

Aqwest is not required to develop a Disability Access and Inclusion Plan. Aqwest is cognisant with the six desired outcomes of the plan.

Equity Access – *Freedom of Information Act 1992*

Aqwest will provide a general right of access to other documents and records in accordance with the *Freedom of Information Act 1992* and Aqwest guidelines Policy No. 5.10.

Aqwest's procedure for giving members of the public access to documents is as follows:

- Compliance with the *Freedom of Information Act 1992*, and
- Board Policy 5.10 titled 'Freedom of Information'.

Initial enquires can be made to the Board's Manager Finance and Administration who performs the role of 'Freedom of Information Coordinator'.

Ministerial Directives

There were no Ministerial directives during the financial year ended 30 June 2012.

Disclosures and Legal Requirements

Government Policy Requirements

Occupational Safety, Health and Injury Management

Aqwest employees are provided with a safe and healthy place in which to work. Management will make every effort to prevent accidents, remove and control hazards, provide training and supervision and preserve the health of the workforce and rehabilitate injured employees.

The following monthly staff safety meetings are held:

- Water distribution staff
- Water treatment staff, and
- Finance and administration staff.

In addition to the above, the Chief Executive Officer chairs a monthly meeting of the Safety Committee. This committee has wide representation from across the organisation.

Aqwest has a comprehensive safety framework including a recently reviewed Safety Management Manual and a Safety Policy. Aqwest is strongly committed to occupational safety and health. The Manual, Policy, supporting tasks and procedures have been developed with the aim of providing and maintaining a safe work environment. Effective safety management along with productivity and quality is a critical factor for the overall effectiveness and efficiency.

This commitment begins with senior management demonstrating leadership through the example of their own actions, by allocating resources at Board level, to communicating values and policies throughout the organisation, i.e. "walk the talk". All employees at Aqwest have an influence in safety and health matters. The Safety Management System is designed with this in mind and is strengthened through commitment from all levels of the organisation. Employees from all levels and areas of operations have assisted in planning and establishing occupational safety and health controls.

Aqwest has a detailed Return to Work process and program as shown in Section 8 of the Safety Management Manual.

Numerous WorkSafe Plan audits have been completed in the last five years, the most recent in late 2010 by an industry recognised safety specialist/consultant. As a result of that audit Aqwest fulfilled the requirements for a Gold Certificate of Achievement under the WorkSafe Plan assessment process, which rates occupational safety and health management systems.

Indicator	Target	Results 2012	Results 2011
Number of fatalities	Zero (0)	0	0
Lost time injury / disease (LTI/D) incidence rate	Zero (0) or 10% reduction on the previous year	5.71	2.702
Lost time injury severity rate	Zero (0) or 10% improvement on the previous year	Zero (0)	Zero (0)
Percentage of injured workers returned to work within: (i) 13 weeks and (ii) 26 weeks	Actual percentage result to be reported	(i) 100% (ii) 100%	100%
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities.	Greater than or equal to 50%	87.56%	43%

Disclosures and Legal Requirements

Key Performance Indicators

Government Goal: Outcomes Based Service Delivery

Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

Agency Level Desired Outcome:

To provide a sustainable high quality drinking water supply.

Effectiveness Indicator - Sustainability

S1. Quantity of water produced within licenced allocation (volume)

Target 2012	Actual 2012	Historical comparison (actual)			
		2011	2010	2009	2008
<7.6GL	6.47GL	6.49GL	6.73GL	6.67GL	6.29GL

Explanation of variance

Result 2012 v target: The target is an upper limit set by the Department of Water.

Result 2012 v result 2011: Annual water production has remained at between 6 GL and 7 GL since the early 1980s.

Standard utilised to set target

The Department of Water issued groundwater licence number 150896 in accordance with Section 24(2)(d) of Schedule 1 of the *Rights in Water and Irrigation Act 1914*.

Relevance of indicator to the Agency Level Desired Outcome

The Department of Water licences groundwater extraction from the Yarragadee aquifer. Extraction at or below the licenced volume enhances long term sustainability of water source.

Efficiency Indicator - Sustainability

S2. Real water losses

(L/service connection/day)

Target 2012	Actual 2012	Historical comparison (actual)			
		2011	2010	2009	2008
<115L	115.3L	110.0L	128.0L	102.0L	87.1L

Explanation of variance

Result 2012 v target: No variance to target.

Result 2012 v result 2011: The indicator weakened slightly from the 2011 financial year. The increase is within the typical range expected due to metering accuracy.

Standard utilised to set target

Real losses refer to leakages from mains, reservoirs and service connections before the customer's meter. Performance on this indicator can be influenced by the condition of mains and other infrastructure, water pressure and water consumption.

Relevance of indicator to the Agency Level Desired Outcome

Similar to all water utilities, Aqwest endeavours to minimise the difference between water production and water consumption. Maintaining minimal variance enhances sustainability of the resource.

Disclosures and Legal Requirements

Key Performance Indicators

Efficiency Indicator - Sustainability

S3. Average annual residential water supplied (kL/connected property)

This indicator was revised in 2010 to align with the National Water Initiative's performance indicator definitions. In prior years 'properties' was defined as the number of residential supply fees issued. For this purpose, comparative information has been shown using the previous calculation method also.

Target 2012	Actual 2012	Historical comparison (actual)			
		2011	2010	2009*	2008*
<290kL	255kL	269kL	277kL	280kL	273kL

*Note: Formula changed in 2010 from using a denominator of total residential assessments to a denominator of total residential connected properties.

Explanation of variance

Result 2012 v target: Result below target due to ongoing reduction in residential water consumption.

Result 2012 v result 2011: An overall reduction in residential water consumption was achieved in 2011-12 (3.81GL) as compared to 2010-2011 (3.99GL).

Standard utilised to set target

Target set below historical long term average.

Relevance of indicator to the Agency Level Desired Outcome

Minimising average water consumption per property is a key factor in ensuring long term sustainability.

Efficiency Indicator - Sustainability

S4. Operating cost of water (\$/connected property)

This indicator was revised in 2010 to align with the National Water Initiative's performance indicator definitions. The main changes being the use of connected properties as opposed to supply fees issued, as well as the exclusion of depreciation from operating costs under the new method. For this purpose, comparative information has been shown using the previous calculation method with percentage changes only.

New calculation method:

Target 2012	Actual 2012	Historical comparison (actual)			
		2011	2010	2009*	2008*
<6% increase	\$ 356	\$ 365	\$317	n/a	n/a
	(2.5%)	15.1%	(6.6)%	7.1%	8.1%

*Note: Formula changed in 2010 from including depreciation in operating costs to excluding it, and from using total supply fees issued to total connected properties.

Explanation of variance

Result 2012 v target: The target was achieved with a 2.5 per cent decrease.

Result 2012 v result 2011: An overall reduction in operating costs (net of depreciation) for 2011-2012 (\$5,830,838) as compared to 2010-2011 (\$5,906,106). The main contributor to the decrease in costs was a reduction in the operational expense category, cost of services.

Standard utilised to set target

Long term industry standard.

Relevance of indicator to the Agency Level Desired Outcome

Sustained high quality drinking water must be achieved at reasonable cost.

Disclosures and Legal Requirements

Key Performance Indicators

Effectiveness Indicator – Water Quality

WQ1. Number of zones where microbiological compliance is achieved

Target 2012	Actual 2012	Historical comparison (actual)			
		2011	2010	2009	2008
7/7	7/7	7/7	7/7	7/7	7/7

Explanation of variance

No variance to target.

Standard utilised to set target

Microbiological compliance relates to the water quality parameters of bacteriological, amoebae, aesthetic (non-health related), health related (organic) and non-health related (inorganic) across each of Aqwest's seven zones. Compliance of 100 per cent is the objective.

Relevance of indicator to the Agency Level Desired Outcome

Compliance with bacteriological, amoebae, aesthetic (non-health related), organic (health related) and inorganic (health related) water quality parameters are essential for the provision of high quality drinking water.

Certification of Key Performance Indicators for the year ended 30 June 2012

Aqwest hereby certifies that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess Aqwest-Bunbury Water Board's performance, and fairly represent the performance of the Board for the financial year ended 30 June 2012.



S Liaros
Chairman
3 September 2012



J Jones
Board Member
3 September 2012



J G Smith
Chief Finance Officer
3 September 2012

Disclosures and Legal Requirements

Certification of Financial Statements for the year ended 30 June 2012

The accompanying financial statements of Aqwest-Bunbury Water Board have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions from the financial year ended 30 June 2012 and the financial position as at 30 June 2012.

At the date of signing, Aqwest is not aware of any circumstances that would render the particulars included in the financial statements misleading or inaccurate.



J G Smith
Chief Finance Officer
3 September 2012



S Liaros
Chairman
3 September 2012



J Jones
Board Member
3 September 2012



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Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
INCOME			
Revenue			
Water sales	7	8,402,323	8,109,387
Interest revenue	8	284,423	391,384
Developer contributions	9	611,514	426,655
Other revenue	10	107,156	87,855
Gains			
Gain on disposal of non current assets	15	54,462	30,850
Total income		9,459,878	9,046,131
EXPENSES			
Operational expenses	11	6,391,484	6,452,011
Administration expenses	14	2,115,214	2,025,687
Impairment of non current assets	24	-	72,152
Other expenses	16	704,647	620,211
Total expenses		9,211,345	9,170,061
Profit/(loss) before income tax		248,533	(123,930)
Income tax equivalent expense	18	380,320	391,359
Profit/(loss) after income tax		(131,787)	(515,289)
PROFIT/(LOSS) FOR THE PERIOD		(131,787)	(515,289)

	Note	2012 \$	2011 \$
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus	23	(72,640)	9,740,591
Gains/(losses) recognised directly in equity		-	-
Income tax on items of other comprehensive income	18	350,371	(2,521,420)
Total other comprehensive income		277,731	7,219,171
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		145,944	6,703,882

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	30	211,754	679,480
Other financial assets	19	3,953,827	3,899,806
Receivables	20	1,394,686	1,386,825
Inventories	21	406,024	361,082
Other current assets	22	97,173	152,859
Total current assets		6,063,464	6,480,052
Non current assets			
Property, plant and equipment	23	106,249,059	105,370,831
Other non current assets	22	1,935,156	2,256,625
Total non current assets		108,184,215	107,627,456
TOTAL ASSETS		114,247,679	114,107,508
LIABILITIES			
Current liabilities			
Payables	25	1,070,686	675,981
Provisions	26	451,796	445,744
Total current liabilities		1,522,482	1,121,725

	Note	2012 \$	2011 \$
LIABILITIES			
Non current liabilities			
Provisions	26	107,493	105,452
Deferred tax liabilities	27	14,918,765	15,327,336
Total non current liabilities		15,026,258	15,432,788
TOTAL LIABILITIES		16,548,740	16,554,513
NET ASSETS		97,698,939	97,552,995
EQUITY			
Reserves	28	58,824,336	59,437,234
Retained earnings		38,874,603	38,115,761
TOTAL EQUITY		97,698,939	97,552,995

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2012

	Note	Asset revaluation reserve \$	Other reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2010		47,877,080	5,040,641	37,931,392	90,849,113
Total comprehensive income for the year	28	7,219,171	-	(515,289)	6,703,882
Transfers to reserves	28	-	3,397,718	(3,397,718)	-
Transfers from reserves	28	-	(4,097,376)	4,097,376	-
Balance at 30 June 2011		55,096,251	4,340,983	38,115,761	97,552,995
Balance at 1 July 2011		55,096,251	4,340,983	38,115,761	97,552,995
Total comprehensive income for the year	28	277,731	-	(131,787)	145,944
Transfers to reserves	28	-	3,128,324	(3,128,324)	-
Transfers from reserves	28	-	(4,018,953)	4,018,953	-
Balance at 30 June 2012		55,373,982	3,450,354	38,874,603	97,698,939

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		8,247,421	7,978,924
Developer contributions		474,564	303,361
Interest received		327,301	370,788
GST receipts on sales		45,884	23,498
GST receipts from taxation authority		662,541	559,417
Other receipts		107,156	87,855
Payments			
Supplies and services		(5,526,525)	(5,501,608)
GST payments on purchases		(613,173)	(601,914)
Net cash provided by/(used in) operating activities	30	3,725,168	3,220,321
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non current physical assets		35,535	74,160
Purchase of non current physical assets		(3,825,161)	(3,500,850)
Purchase/(drawdown) of investments		(54,021)	1,026,624
Net cash provided by/(used in) investing activities		(3,843,647)	(2,400,066)
CASH FLOWS TO STATE GOVERNMENT			
Taxation equivalents		(349,248)	(627,228)
Net cash provided to State Government		(349,248)	(627,228)
Net increase/(decrease) in cash and cash equivalents		(467,726)	193,027
Cash and cash equivalents at beginning of year		679,480	486,453
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD	30	211,754	679,480

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 1 – Australian Accounting Standards

(a) General

The Board's financial statements for the year ended 30 June 2012 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Board has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

(b) Early adoption of standards

The Board cannot early adopt an Australian Accounting Standard or Interpretation unless specifically permitted by TI 1101 '*Application of Australian Accounting Standards and Other Pronouncements*'. No Australian Accounting Standards that have been issued or amended but are not operative have been early adopted by the Board for the annual reporting period ended 30 June 2012.

Note 2 – Summary of significant accounting policies

(a) General statement

The Board is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land, buildings and infrastructure which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar.

(c) Income

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 2 continued – Summary of significant accounting policies

Revenue is recognised for the major business activities as follows:

i) Water sales

Revenue from annual supply and consumption charges is shown in the Statement of Comprehensive Income as the amounts levied and billed for the period, including interest on overdue amounts, less rebates and concessions allowed to entitled customers. Other water charges include connection fees, relocation fees, disconnection fees, meter repair charges, meter reading charges and financial enquiries charges and are recognised as they are levied and billed.

ii) Interest

Revenue is recognised on an accruals basis.

iii) Developer contributions

Developer's contributions are recognised as revenue at fair value when the Board takes control over the assets comprising the contributions. The Board receives capital contributions from external parties in the form of either cash or assets.

iv) Other revenue

Other revenue includes hydrant hire, lease income and other miscellaneous revenue received.

(d) Income tax

The Board operates within the National Tax Equivalent Regime (NTER) whereby an equivalent amount in respect of income tax is payable to the

Treasury. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

As a consequence of participation in the NTER, the Board is required to comply with AASB 112 *'Income Taxes'*.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 2 continued – Summary of significant accounting policies

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Property, plant and equipment and infrastructure

i) Capitalisation/expensing of assets

Items of property, plant and equipment and infrastructure that cost over \$100 and have a useful life of over three years are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure that cost less than \$100 are expensed directly to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

The Board is exempt for the year ended 30 June 2012 from the requirements of paragraph (14) of Treasurer's Instruction 1101 *'Application of Australian Accounting Standards and Other Pronouncements'*, which mandates a \$5,000 minimum threshold for asset recognition under AASB 116 *'Property Plant and Equipment'* effective from the 1 July 2008.

The current Operating Licence for Aqwest-Bunbury Water Board expires in January 2022. However, the Board views 'useful life' to relate to the full useful life over which the assets will be utilised.

ii) Initial recognition and measurement

Property, plant and equipment and infrastructure are initially recognised at cost. For items of property, plant and equipment and infrastructure

acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

iii) Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for measurement of land, buildings and infrastructure and historical cost for all other property, plant and equipment. Land, buildings and infrastructure are carried at fair value less accumulated depreciation on buildings and infrastructure and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market evidence is available, the fair value of land and buildings is determined on the basis of current market buying values by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

The revaluation of land and buildings is an independent valuation provided by the Western Australian Land Information Authority (Valuation Services) and is obtained at least every three years unless directed otherwise by the Office of the Auditor General.

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 2 continued – Summary of significant accounting policies

Land under infrastructure is included in land reported under note 23 'Property, Plant and Equipment' and is valued with reference to current market values. Independent valuations are obtained at least every five years. An annual indexation exercise is conducted independently to ensure that the carrying amounts of infrastructure assets classes which are not revalued did not differ materially from that which would be determined using fair value at the end of the reporting period.

When infrastructure is revalued, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgment by the valuer is required where the evidence does not provide a clear distinction between market type and existing use assets.

iv) Derecognition

Upon disposal or derecognition of an item of property, plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation reserve.

v) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 23 'Property plant and equipment'.

vi) Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. Land is not depreciated.

Depreciation on other assets is calculated using the straight line (SL) or diminishing value (DV) method, using rates which are reviewed annually.

The estimated effective lives for each class of depreciable asset are as follows:

Asset class	Effective life (yrs)	Type
Buildings at Fair Value	1 to 43	DV
Mains at Fair Value	1 to 79	SL
Meters at Fair Value	1 to 10	SL
Service Connections at Fair Value	13 to 30	DV
Treatment Plants at Fair Value	1 to 49	DV
Reservoirs at Fair Value	1 to 56	SL
Bores & Pumps at Fair Value	2 to 72	SL
Plant & Equipment at Cost	1 to 40	DV
Motor Vehicles at Cost	1 to 8	DV
Office Equipment at Cost	1 to 95	DV
Tools at Cost	1 to 12	DV

Land is not depreciated.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 2 continued – Summary of significant accounting policies

(f) Intangible assets

i) Computer software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware and cost less than \$5,000 is expensed in the year of acquisition. The value of intangible software is shown at note 23 'Property plant and equipment'.

(g) Impairment of assets

Property, plant and equipment and infrastructure assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

As the Board is a not-for-profit entity, unless an asset has been identified as surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The Board does not have any intangible assets with an indefinite useful life, or intangible assets not yet available for use.

(h) Leases

The Board holds long term operating leases for telecommunications towers located on the Board's facilities. Lease payments are receipted on a scheduled annual date and are generally indexed by CPI. The portion of lease income received in advance relating a future financial year is shown as a liability (see note 25 'Payables' and note 36 'Non cancellable operating lease revenue').

(i) Financial instruments

In addition to cash and bank overdraft, the Board has three categories of financial instruments:

- Receivables
- Held-to-maturity investments (term deposits)
- Payables

These have been disaggregated into the following asset classes:

Financial assets	Financial liabilities
Cash and cash equivalents	Payables
Receivables	
Term deposits	

Notes to the Financial Statements

for the year ended 30 June 2012

Note 2 continued – Summary of significant accounting policies

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or face value. The fair value of short term receivables and payables is the transaction cost or face value, because there is no interest rate applicable. And the effect of discounting is not material.

Held-to-maturity investments have been classified as short term where maturity terms are less than one year from the reporting date.

The Board assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(j) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent assets comprise cash in bank cheque accounts, an at call cash deposit account, petty cash and cash floats.

(k) Inventories

Inventories are classified as held for distribution and are measured using the weighted average cost method. Inventories mainly consist of consumable engineering supplies and spare materials for use in the maintenance and operation of distribution and water treatment assets.

(l) Receivables

i) Trade receivables

Receivables are recognised and carried at original invoice amount. The collectability of receivables is reviewed on an ongoing basis.

The carrying amount of trade receivables is equivalent to fair value as the average collection period for outstanding debt is 50 days (as at 30 June 2012).

(m) Investments

The Board classifies its investments as held to maturity investments, comprising term deposits. Investments are initially recognised at cost, being the fair value of consideration given, including directly attributable transaction costs. As all term deposits have maturity dates within twelve months of the original investment date, their cost is equivalent to fair value and no amortisation is applied.

(n) Payables

Payables are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

(o) Accrued salaries and wages

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Board considers the carrying amount of accrued salaries to be equivalent to its net fair value. See note 25 'Payables'.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 2 continued – Summary of significant accounting policies

(p) Employee benefits provisions

Employee benefits provisions are liabilities of uncertain timing and amount. The Board recognises a provision where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at the end of each reporting period.

i) Annual leave

The liability for annual leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

The provision for annual leave is classified as a current liability, as the Board does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

ii) Rostered days off, Time in lieu

The liability for rostered days off and time in lieu expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

The provisions for rostered days off and time in lieu are classified as current liabilities, as the Board does not have an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting period.

iii) Long service leave

The liability for long service leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Long service leave expected to be settled more than 12 months after the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Board does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Board has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 2 continued – Summary of significant accounting policies

iv) Personal leave

Personal leave entitlements for permanent employees are accumulating and partially vesting. For the year ended 30 June 2012, on resignation (other than legitimate dismissal), employees were entitled to a payout at the rate of 1% of accumulated personal leave entitlements accrued from the 1 July 1997, for each completed year of service.

In the Board's most recent Collective Agreement, effective from 1 February 2011, the entitlement has increased from 1% to a cumulative percentage based on years of service. The liability for personal leave is recognised only for this vesting component of entitlements.

A liability is not recognised for non vesting personal leave, as prior history indicates that on average, accumulated personal leave taken each reporting period is less than the entitlements accrued. This is expected to continue in future periods.

(q) Other provisions

i) Employment on costs

Employment on costs, including workers compensation insurance and payroll tax, are not employee benefits and are recognised as expenses and liabilities when the employment to which they relate has occurred.

Employment on costs are not included as part of the Board's Employee Benefits Expense, and are shown at note 11 'Cost of services' and at note 14 'Administration expenses'. The related liability is included in the provision for employment on costs.

ii) Superannuation

The Board does not participate in a defined benefits plan, and as such, there is no related superannuation provision.

(r) Superannuation expense

The Board's default fund for defined contribution plans is the WA Local Government Superannuation Plan. Employees have the option of electing the default plan or another plan of choice. The majority of the Board's employees have plans with the default fund.

The Board does not participate in a defined benefits plan.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

(s) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of the acquisition of the asset or part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position. PAYG withholding tax and FBT instalments payable to the ATO are netted off from this amount.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 2 continued – Summary of significant accounting policies

Cash flows are presented on a net basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 3 – Other policies

(a) Resources received free of charge or for nominal cost

Resources received free of charge that can be reliably measured are recognised as revenues and as assets at their equivalent fair value. For the Board, such resources are generally gifted mains pipeline from developers and are included at Note 9 'Developers Contributions'.

Note 4 – Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Board evaluates these judgements regularly.

(a) Adoption of fair value versus cost basis for non current assets

The Board adopts the cost basis and fair value basis of accounting for valuing non current physical assets. Gifted mains infrastructure assets are originally recognised at cost, based on the contractual value of the works transferred to the Board. Subsequent measurement of these assets utilises the revaluation model.

Note 5 – Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

(a) Long service leave

In calculating the Board's long service leave provision, several estimations and assumptions have been made. These include discount rates, employee retention rates and expected future payments. Any changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 6 – Disclosure of changes in accounting policy and estimates

(a) Voluntary changes in accounting policy

There were no voluntary changes in accounting policies applied in the 2011-2012 financial year.

(b) Initial application of an Australian Accounting Standard

The Board has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2011 that impacted on the Board:

AASB 1054 - Australian Additional Disclosures

This Standard, in conjunction with AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

AASB 2009-12 - Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Int 2, 4, 16, 1039 & 1052]

This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.

AASB 2010-4 - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Int 13]

The amendments to AASB 7 clarify financial instrument disclosures in relation to credit risk. The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is no longer required to be disclosed. There is no financial impact.

The amendments to AASB 101 clarify the presentation of the statement of changes in equity. The disaggregation of other comprehensive income reconciling the carrying amount at the beginning and the end of the period for each component of equity is no longer required. There is no financial impact.

AASB 2010-5 - Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Int 112, 115, 127, 132 & 1042]

This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.

AASB 2010-6 - Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7]

This Standard introduces additional disclosure relating to transfers of financial assets in AASB 7. An entity shall disclose all transferred financial assets that are not derecognised and any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. There is no financial impact.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 6 continued – Disclosure of changes in accounting policy and estimates

(b) Initial application of an Australian Accounting Standard

AASB 2011-1 - Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Int 2, 112 & 113]

This Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

AASB 2011-5 - Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, 128 & 131]

This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit non-reporting entities that comply with Australian Accounting Standards. There is no financial impact.

(c) Future impact of Australian Accounting Standards not yet operative

The Board cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Board has not applied early any following Australian Accounting Standards that have been issued that may impact the Board. Where applicable, the Board plans to apply these Australian Accounting Standards from their application date.

Operative for reporting periods beginning on/after 1 January 2013:

AASB 9 - Financial Instruments

This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.

The Standard was reissued in December 2010. The Board has not yet determined the application or the potential impact of the Standard.

AASB 13 - Fair Value Measurement

This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.

AASB 119 - Employee Benefits

This Standard supersedes AASB 119 Employee Benefits, introducing a number of changes to accounting treatments.

The Standard was issued in September 2011. The Board has not yet determined the application or the potential impact of the Standard.

AASB 1053 - Application of Tiers of Australian Accounting Standards

This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 6 continued – Disclosure of changes in accounting policy and estimates

(b) Initial application of an Australian Accounting Standard

<p>AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12]</p>	<p>AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]</p>
<p>[Modified by AASB 2010-7].</p>	<p>This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.</p>
<p>AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052]</p>	<p>AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]</p>
<p>This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.</p>	<p>This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Board has not yet determined the application or the potential impact of the Standard.</p>
<p>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</p>	<p>AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]</p>
<p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The Board has not yet determined the application or the potential impact of the Standard</p>	<p>This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 Employee Benefits in September 2011. The Board has not yet determined the application or the potential impact of the Standard.</p>
<p>AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]</p>	<p>AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</p>
<p>This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.</p>	<p>This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.</p>

Notes to the Financial Statements

for the year ended 30 June 2012

	2012 \$	2011 \$
Note 7 – Water sales		
Supply charges	2,784,655	2,929,814
Consumption charges	5,295,910	5,054,428
Other water charges	692,724	471,451
Less: rebates given	(370,966)	(346,306)
	8,402,323	8,109,387
Note 8 – Interest revenue		
Interest from cash and cash equivalents	26,405	30,845
Interest from receivables	15,946	18,145
Interest from other financial assets	242,072	342,394
	284,423	391,384
Note 9 – Developer contributions		
Contributions to headworks	439,401	349,644
Contributions to mains subdivisions	6,296	8,050
Transferred assets – non cash	165,817	68,961
	611,514	426,655
Note 10 – Other revenue		
Lease income (a)	48,502	46,554
Other revenue	58,654	41,301
	107,156	87,855

(a) See note 36 'Non cancellable operating lease revenue'.

	2012 \$	2011 \$
Note 11 – Operational expenses		
Cost of services		
Materials	1,361,543	1,577,968
Electricity	352,318	325,002
Salaries and wages	689,453	691,056
Employee overheads	543,830	509,411
Other expenses	63,833	84,619
	3,010,977	3,188,056
Depreciation	3,380,507	3,263,955
	6,391,484	6,452,011
Note 12 – Cost of water sales		
Cost of water sales (a)	1,607,306	1,597,896
	1,607,306	1,597,896

(a) Cost of water sales represents the costs incurred for water treatment, operation of bores and reservoirs and the depreciation expense related to these processes. These costs are included in note 11 'Operational expenses'.

Notes to the Financial Statements

for the year ended 30 June 2012

	2012 \$	2011 \$
Note 13 – Cost of services		
Cost of services are allocated on a job basis as follows:		
Bore maintenance and operations	33,825	34,156
Reservoir maintenance	76,312	104,716
Reservoir integrity analysis	72,486	31,458
Reservoir survey and inspections	76,242	-
Treatment plant maintenance	331,401	295,241
Mains maintenance	287,343	342,890
Compliance water testing	179,244	169,102
Network analysis	17,885	78,778
Leak detection	-	27,000
Service maintenance	496,762	465,872
Groundwater analysis	21,167	11,917
Booster pump maintenance	29,857	48,374
Treatment plant operations	160,004	201,907
Chemical treatment	179,588	176,223
Grounds maintenance	41,284	40,219
Private works	413,133	58,773
City Waterlink recommissioning	-	193,569
Replace rusted purlins reservoirs	-	286,034
Water quality improvement projects	29,395	83,072
Meter reading	83,215	77,297
Electricity	352,318	325,002
Other service expenses (a)	129,516	136,438
	3,010,977	3,188,056

(a) Other service expenses includes operational and WorkSafe plan audits, corrosion control strategy, tool repairs and replacements, network analysis, process engineering and storm event.

	2012 \$	2011 \$
Note 14 – Administration expenses		
Write offs	353	1,159
Computer maintenance and software	188,963	186,296
Insurance	92,994	104,014
Legal expenses	11,283	8,825
Salaries and wages	1,662,703	1,571,865
Superannuation	158,918	153,528
	2,115,214	2,025,687

Note 15 – Net (gain)/loss on disposal of non current assets

Cost of disposal of non current assets:

Plant, equipment and vehicles	(18,927)	43,310
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Proceeds from disposal of non current assets:

Plant, equipment and vehicles	(35,535)	(74,160)
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Net (gain)/loss on disposal	(54,462)	(30,850)
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Notes to the Financial Statements

for the year ended 30 June 2012

	2012 \$	2011 \$
Note 16 – Other expenses		
Public relations	31,763	28,599
Audit expenses	45,585	44,665
Corporate uniforms	23,597	14,948
Valuation expenses	12,983	18,289
Administration building utilities	100,487	108,065
Postage, printing and stationary	61,824	60,213
Fringe benefits tax	20,421	20,857
Advertising and promotion	86,195	63,072
Board expenses	50,247	44,100
Administration building maintenance	62,049	39,225
Staff training	60,399	53,827
Bank charges	21,603	15,845
Office expenses	28,495	30,577
Water efficiency measures compliance	2,933	12,452
Other (a)	96,066	65,477
	704,647	620,211

a) Includes freight, records archive and storage, membership fees, business development strategy, risk management implementation, CEO employee awards and employee assistance program.

	2012 \$	2011 \$
Note 17 – Gross salaries and wages		
Salaries and wages by department:		
Finance and administration (a)	1,002,292	892,942
Water services administration (b)	631,194	590,723
Distribution and treatment operations (c)	1,085,899	975,250
Board members (d)	30,453	24,951
	2,749,838	2,483,866

- a) Included at note 14 'Administration expenses' – salaries and wages.
 b) Included at note 14 'Administration expenses' – salaries and wages.
 c) Included at note 11 'Operational expenses' - salaries and wages and employee overheads.
 d) Included at note 16 'Other expenses' – Board expenses.

Notes to the Financial Statements

for the year ended 30 June 2012

2012
\$

2011
\$

Note 18 – Taxation equivalent

(a) Income tax expense

i) Current income tax:

Current income tax charge	469,388	498,352
Understatement/(overstatement) of prior years income tax charge	(30,868)	24,923

ii) Deferred income tax:

Relating to origination and reversal of temporary differences	(58,200)	(131,916)
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Income tax expense	380,320	391,359
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(b) Amounts recognised directly in equity

i) Deferred income tax:

Fair value adjustments to property, plant and equipment	350,371	2,521,420
Income tax expense reported in equity	350,371	2,521,420

2012
\$

2011
\$

(c) Reconciliation of income tax expense to prima facie tax payable

Profit before income tax equivalents	248,533	(123,930)
Tax at the statutory rate of 30% (2011: 30%)	74,560	(37,179)
Tax effects of amounts which are not deductible in calculating taxable income	7,815	8,110
Temporary differences now brought to account	328,813	395,505
Understatement of prior years income tax charge	(30,868)	24,923
Income tax expense reported in Statement of Comprehensive Income	380,320	391,359

Notes to the Financial Statements

for the year ended 30 June 2012

Note 18 continued – Taxation equivalent

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
(d) Deferred tax						
Deferred tax assets and liabilities are attributable to the following:	\$	\$	\$	\$	\$	\$
Fair value adjustments to property, plant and equipment	-	-	14,904,686	15,453,782	14,904,686	15,453,782
Current tax liability adjustment	-	(176,210)	-	-	-	(176,210)
Interest receivable	-	-	9,912	22,776	9,912	22,776
Deferred developer contributions	-	-	171,954	192,347	171,954	192,347
Employee entitlements	(167,787)	(165,359)	-	-	(167,787)	(165,359)
Tax (assets)/liabilities	(167,787)	(341,569)	15,086,552	15,668,905	14,918,765	15,327,336
Set off of tax	167,787	341,569	(167,787)	(341,569)	-	-
Net tax liabilities	-	-	14,918,765	15,327,336	14,918,765	15,327,336

	Balance 1 July 2011	Recognised in income	Recognised in equity	Balance 30 June 2012
Movement in temporary differences during the year:	\$	\$	\$	\$
Fair value adjustments to property, plant and equipment	15,453,782	(22,516)	(350,371)	14,904,686
Current tax liability adjustment	(176,210)	-	-	(176,210)
Interest receivable	22,776	(12,864)	-	9,912
Deferred developer contributions	192,347	(20,392)	-	171,954
Employee entitlements	(165,359)	(2,428)	-	(167,787)
	15,327,336	(58,200)	(350,371)	14,918,765

	Balance 1 July 2010	Recognised in income	Recognised in equity	Balance 30 June 2011
Movement in temporary differences during the year:	\$	\$	\$	\$
Fair value adjustments to property, plant and equipment	12,991,327	(58,965)	2,521,420	15,453,782
Current tax liability adjustment	(176,210)	-	-	(176,210)
Interest receivable	16,597	6,179	-	22,776
Deferred developer contributions	226,694	(34,347)	-	192,347
Employee entitlements	(120,576)	(44,783)	-	(165,359)
	12,937,832	(131,916)	2,521,420	15,327,336

Notes to the Financial Statements

for the year ended 30 June 2012

	2012 \$	2011 \$
Note 19 – Other financial assets		
Held to maturity investments:		
Working account	500,000	-
EDP upgrade reserve	412,880	493,226
Asset replacement reserve	1,552,593	2,187,990
Headworks reserve	583,924	434,040
Subdivision reserve	277,130	264,930
Business development reserve	627,300	519,620
	3,953,827	3,899,806

Note 20 – Receivables

	2012 \$	2011 \$
Current		
Trade debtors	1,100,906	1,136,538
GST receivable	13,831	89,127
Sundry debtors	233,162	70,327
Accrued interest	33,041	75,919
	1,380,940	1,371,911
Non current		
Pensioner rate deferrals	13,746	14,914
Total receivables	1,394,686	1,386,825

Note 21 – Inventories

	2012 \$	2011 \$
Inventories held for distribution (at cost)	406,024	361,082
	406,024	361,082

	2012 \$	2011 \$
Note 22 – Other assets		
Current		
Prepayments	90,622	103,509
Current tax asset	6,551	49,350
	97,173	152,859
Non current		
Work in progress	1,935,156	2,256,625
Total other assets	2,032,329	2,409,484

Note 23 – Property, plant and equipment

	2012 \$	2011 \$
Land at fair value	7,370,000	7,370,000
Buildings at fair value	2,319,086	2,316,579
Accumulated depreciation	(625,438)	(566,579)
	1,693,648	1,750,000
Mains at fair value	55,483,021	54,665,000
Accumulated depreciation	(1,201,699)	-
	54,281,322	54,665,000

Notes to the Financial Statements

for the year ended 30 June 2012

	2012 \$	2011 \$
Note 23 continued– Property, plant and equipment		
Meters at fair value	1,388,293	1,315,957
Accumulated depreciation	(276,852)	(241,237)
	<u>1,111,441</u>	<u>1,074,720</u>
Service connections at fair value	4,312,725	3,986,248
Accumulated depreciation	(669,133)	(440,272)
	<u>3,643,592</u>	<u>3,545,976</u>
Treatment plants at fair value	11,024,690	10,576,259
Accumulated depreciation	(6,379,828)	(6,011,589)
Accumulated impairment losses	(57,135)	(57,135)
	<u>4,587,727</u>	<u>4,507,535</u>
Reservoirs at fair value	25,929,314	25,929,314
Accumulated depreciation	(1,362,900)	(684,941)
	<u>24,566,414</u>	<u>25,244,373</u>
Bores and pumps fair value	7,596,826	5,556,566
Accumulated depreciation	(672,330)	(328,027)
Accumulated impairment losses	(49,400)	(49,400)
	<u>6,875,096</u>	<u>5,179,139</u>

	2012 \$	2011 \$
Plant and equipment at cost**	1,863,625	1,657,919
Accumulated depreciation	(470,956)	(269,192)
	<u>1,392,669</u>	<u>1,388,727</u>
Motor vehicles at cost	652,234	610,963
Accumulated depreciation	(270,021)	(220,512)
	<u>382,213</u>	<u>390,451</u>
Office equipment at cost*	913,764	756,274
Accumulated depreciation	(595,560)	(531,030)
	<u>318,204</u>	<u>225,244</u>
Tools at cost	104,312	113,549
Accumulated depreciation	(77,579)	(83,883)
	<u>26,733</u>	<u>29,666</u>
Total property, plant and equipment	<u>106,249,059</u>	<u>105,370,831</u>

*Includes intangible assets of \$171,062 (written down value)

**Includes intangible assets of \$331,551 (written down value)

Notes to the Financial Statements

for the year ended 30 June 2012

Note 23 continued – Property, plant and equipment

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out in the table below:

	Carrying amount at start of year	Additions	Disposals	Transfers between categories	Revaluation increments (decrements) to asset revaluation reserve	Revaluation increments (decrements) to income statement	Impairment losses	Impairment losses reversed	Depreciation	Carrying amount at end of year
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2012										
Land at fair value	7,370,000	-	-	-	-	-	-	-	-	7,370,000
Buildings at fair value	1,750,000	2,507	-	-	-	-	-	-	(58,858)	1,693,649
Mains at fair value	54,665,000	818,021	-	-	-	-	-	-	(1,201,699)	54,281,322
Meters at fair value	1,074,720	138,979	62,772	-	(72,640)	-	-	-	(92,391)	1,111,441
Service connections at fair value	3,545,976	326,478	-	-	-	-	-	-	(228,861)	3,643,593
Treatment plants at fair value	4,507,535	448,431	-	-	-	-	-	-	(368,239)	4,587,727
Reservoirs at fair value	25,244,373	-	-	-	-	-	-	-	(677,959)	24,566,414
Bores and pumps at fair value	5,179,139	2,040,260	-	-	-	-	-	-	(344,304)	6,875,095
Plant and equipment at cost	1,388,727	220,828	(776)	-	-	-	-	-	(216,110)	1,392,669
Motor vehicles at cost	390,451	110,637	(39,063)	-	-	-	-	-	(79,812)	382,204
Office equipment at cost	225,242	203,640	(3,997)	-	-	-	-	-	(106,683)	318,204
Tools at cost	29,667	2,669	(10)	-	-	-	-	-	(5,592)	26,733
TOTALS	105,370,831	4,312,450	18,926	-	(72,640)	-	-	-	(3,380,507)	106,249,059

Notes to the Financial Statements

for the year ended 30 June 2012

Note 23 continued – Property, plant and equipment

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out in the table below:

	Carrying amount at start of year	Additions	Disposals	Transfers between categories	Revaluation increments (decrements) to asset revaluation reserve	Revaluation increments (decrements) to income statement	Impairment losses	Impairment losses reversed	Depreciation	Carrying amount at end of year
2011	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land at fair value	7,220,561	-	-	-	149,439	-	-	-	-	7,370,000
Buildings at fair value	1,752,472	66,458	-	(489,330)	494,507	-	-	-	(74,107)	1,750,000
Mains at fair value	43,412,292	-	-	2,925,531	9,221,424	-	-	-	(894,247)	54,665,000
Mains at cost	2,303,210	873,822	-	(2,925,531)	-	-	-	-	(251,501)	-
Meters at fair value	1,075,833	171,845	34,391	-	(65,120)	-	-	-	(142,230)	1,074,719
Service connections at fair value	3,392,885	369,543	-	-	-	-	-	-	(216,453)	3,545,975
Treatment plants at fair value	4,914,257	17,509	-	-	-	-	(57,135)	-	(367,095)	4,507,536
Reservoirs at fair value	25,868,804	60,510	-	-	-	-	-	-	(684,941)	25,244,373
Bores and pumps at fair value	5,048,445	54,266	(10,200)	489,330	(59,659)	-	(15,016)	-	(328,027)	5,179,139
Plant and equipment at cost	351,568	1,132,846	-	-	-	-	-	-	(95,687)	1,388,727
Motor vehicles at cost	425,569	134,543	(65,602)	-	-	-	-	-	(104,059)	390,451
Office equipment at cost	271,865	54,560	(1,948)	-	-	-	-	-	(99,235)	225,242
Tools at cost	24,942	11,049	48	-	-	-	-	-	(6,372)	29,667
TOTALS	96,062,703	2,946,951	(43,311)	-	9,740,591	-	(72,151)	-	(3,263,954)	105,370,831

Notes to the Financial Statements

for the year ended 30 June 2012

2012
\$

2011
\$

Note 24 – Impairment of assets

As at 30 June 2011, redundant SCADA components of Treatment Plants and Bores and Pumps were identified as impaired as they had been replaced but not disposed of. The value of the impairment has been recognised as follows:

Recognised in income	-	72,151
Recognised in equity	-	34,384
	-	106,535

Note 25 – Payables

Current

Trade creditors	948,400	569,535
Accrued salaries and wages	82,958	69,357
Other accrued expenses	11,905	10,779
Income in advance	27,422	26,310
	1,070,686	675,981

2012
\$

2011
\$

Note 26 - Provisions

(a) Current

(i) Employee benefits provisions:

Annual leave (a)	202,947	213,4725
Long service leave (b)	134,200	105,049
Rostered days off (c)	7,096	14,656
Time in lieu (c)	15,055	20,129
Personal leave (d)	60,728	56,697
	420,026	410,003

(a) Current

(ii) Other provisions:

Employment on costs (e)	31,770	35,741
-------------------------	--------	--------

Total current provisions

451,796 **445,744**

(b) Non current

(i) Employee benefits provisions:

Long service leave (b)	92,698	89,177
	92,698	89,177

(ii) Other provisions:

Employment on costs (e)	14,795	16,275
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Total non current provisions

107,493 **105,452**

Notes to the Financial Statements

for the year ended 30 June 2012

Note 26 continued - Provisions

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of liabilities will occur within 12 months of the reporting period.

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2012	2011
	\$	\$
Within 12 months of reporting period	35,510	30,528
More than 12 months after reporting period	191,388	163,698
	226,898	194,226

(c) Rostered days off and time in lieu liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur within 12 months of the reporting period.

(d) Personal leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2012	2011
	\$	\$
Within 12 months of reporting period	9,507	8,120
More than 12 months after reporting period	51,221	48,577
	60,728	56,697

(e) The settlement of annual leave, long service leave, rostered days off and time in lieu liabilities gives rise to the payment of employment on costs including workers' compensation premiums and payroll tax. The provision is measured at the present value of expected future payments. The associated expense is included in all other expenses (note 16), administration expenses (note 14) and costs of services (note 13).

(f) The Bunbury Water Board does not participate in a defined benefits plan and as such there is no superannuation provision. Employer superannuation contributions relating to the employee benefits provisions are included within the leave provision. The associated expense is included in other expenses (note 16), administration expenses (note 14) and costs of services (note 13).

Notes to the Financial Statements

for the year ended 30 June 2012

	2012 \$	2011 \$
Note 27 – Deferred tax liabilities		
Deferred tax liabilities	14,918,765	15,327,336
	14,918,765	15,327,336

Note 28 – Reserves

The Board maintains the following reserves:

(a) Cash reserves

EDP upgrade reserve

(to provide for future upgrades of the Board's information, communication and technology systems)

Balance at start of period	493,229	474,018
Transfers to reserve	85,823	90,360
Transfers from reserve	(166,172)	(71,149)
Balance at end of period	412,880	493,229

Asset replacement reserve

(to cater for the ongoing replacement of the Board's capital infrastructure)

Balance at start of period	2,601,635	2,346,570
Transfers to reserve	2,400,675	2,884,597
Transfers from reserve	(3,449,708)	(2,629,532)
Balance at end of period	1,552,603	2,601,635

	2012 \$	2011 \$
Headworks reserve		
(to fund augmentation works to service growth requirements)		
Balance at start of period	455,540	609,668
Transfers to reserve	488,161	327,629
Transfers from reserve	(363,261)	(481,757)
Balance at end of period	580,438	455,540

Mains subdivision reserve

(to fund subdivisional development)

Balance at start of period	270,955	1,144,685
Transfers to reserve	41,249	29,326
Transfers from reserve	(35,071)	(903,056)
Balance at end of period	277,133	270,955

Business development reserve

(to fund future business development)

Balance at start of period	519,624	465,700
Transfers to reserve	112,416	65,806
Transfers from reserve	(4,742)	(11,882)
Balance at end of period	627,301	519,624

Total reserves:

Total opening balances	4,340,983	5,040,641
Total transfers to reserves	3,128,324	3,397,718
Total transfers from reserves	(4,018,953)	(4,097,376)
Total cash reserves	3,450,354	4,340,983

Notes to the Financial Statements

for the year ended 30 June 2012

	2012 \$	2011 \$
Note 28 continued - Reserves		
(b) Asset revaluation reserve		
Balance at start of period	55,096,251	47,877,080
Gains/(losses) from asset revaluation	(72,640)	9,740,591
Tax effect of revaluation (increments)/ decrements	350,371	(2,521,420)
Balance at end of period	<u>55,373,982</u>	<u>55,096,251</u>
Total reserves	<u><u>58,824,336</u></u>	<u><u>59,437,234</u></u>

Note 29 – Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Board are cash and cash equivalents, term deposits, receivables and payables. The Board has limited exposure to financial risks. The Boards' overall risk management program focuses on managing the risks identified below:

(i) Credit risk

Credit risk arises when there is the possibility of the Boards' receivables defaulting on their contractual obligations, resulting in a financial loss to the Board.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as shown in the table at note 29c.

All debts pertaining to water sales are secured against the land to which debts relate. Receivable balances are monitored on an ongoing basis with the result that the Boards' exposure to bad debts is minimal.

At the end of the reporting period, there were no significant concentrations of credit risk.

(ii) Liquidity risk

Liquidity risk arises when the Board is unable to meet its financial obligations as they fall due. The Board is exposed to liquidity risk through its trading in the normal course of business.

The Boards' objective is to maintain sufficient cash assets on hand to meet its debts as and when they fall due, with flexibility available through the use of a bank overdraft facility. The Board has sufficient financial assets and appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 29 continued – Financial instruments

(a) Financial risk management objectives and policies

(iii) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Board's income or the value of its holdings of financial instruments.

The Board does not trade in foreign currency and is not materially exposed to other price risks (for example, equity securities or commodity price changes). The Board's exposure to market risk for changes in interest rates relates primarily to short and long term cash investments.

All of the Board's investments are at fixed interest rates with varying maturity periods. The risk is managed through portfolio diversification and variation in maturity dates. Portfolio diversification is limited to investments with financial institutions with a Standard and Poor's credit rating of 'A' or greater.

Other than as detailed in the interest rate sensitivity analysis table at note 29e, the Board has limited exposure to interest rate risk as it has no borrowings.

(b) Categories of financial instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	2012 \$	2011 \$
Financial assets		
Cash and cash equivalents	211,754	679,480
Receivables (a)	1,380,855	1,297,698
Held to maturity investments	3,953,827	3,899,806
	5,546,436	5,876,984
Financial liabilities		
Payables (b)	1,043,263	649,671
	1,043,263	649,671

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

(b) The amount of payables excludes income received in advance.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 29 continued – Financial instruments

(c) Financial instrument disclosures

(i) Credit risk

The Board's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired, based on information provided to senior management of the Board.

Ageing analysis of financial assets:	Carrying amount \$	Not due (current) \$	Not due (deferred) (b) \$	Past due but not impaired	
				Less than one year \$	One year or more \$
2012					
Cash and cash equivalents	211,754	-	-	-	-
Receivables (a)	1,380,855	1,216,835	13,746	74,870	75,404
Held to maturity investments	3,953,827	-	-	-	-
	5,546,436	1,230,581	13,746	74,870	75,404
2011					
Cash and cash equivalents	679,480	-	-	-	-
Receivables (a)	1,297,699	1,090,827	14,914	151,253	40,704
Held to maturity investments	3,899,806	-	-	-	-
	5,876,985	1,090,827	14,914	151,253	40,704

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

(b) Pensioners are not required to pay rates issues as they are billed – the collection of such rates is ultimately deferred until the property changes ownership from the pensioner's title. These amounts are shown at note 20 – 'Receivables' as non current trade debtors.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 29 continued – Financial instruments

(c) Financial instrument disclosures continued

(ii) Liquidity risk and interest rate risk

The following table discloses the Board's maximum exposure to interest rate risk and a contractual maturity analysis of financial assets and liabilities. The contractual maturity amounts in the table are representative of the undiscounted amounts at the end of the reporting period. Adjustments for discounting have not been made due to immateriality.

The Board does not hold any collateral as security or other credit enhancements relating to the financial assets it holds. The Board does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due.

	Weighted average interest rate %	Carrying amount \$	Interest rate exposure			Contractual maturity date		
			Variable interest rate \$	Non interest bearing \$	Fixed interest rate \$	Up to 3 months \$	3 months to 12 months \$	1 – 2 years \$
2012								
Financial assets								
Cash and cash equivalents	4.17	211,754	210,254	1,500	-	-	-	-
Receivables (a)	-	1,380,855	-	1,380,855	-	-	-	-
Held to maturity investments	5.81	3,953,827	-	-	3,953,827	2,080,167	1,873,660	-
		5,546,436	210,254	1,382,355	3,953,827	2,080,167	1,873,660	-
Financial liabilities								
Payables (b)	-	1,043,263	-	1,043,263	-	-	-	-
		1,043,263	-	1,043,263	-	-	-	-

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

(b) The amount of payables excludes income received in advance.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 29 continued – Financial instruments

(c) Financial instrument disclosures continued

(ii) Liquidity risk and interest rate risk continued

	Weighted average interest rate %	Carrying amount \$	Interest rate exposure			Contractual maturity date		
			Variable interest rate \$	Non interest bearing \$	Fixed interest rate \$	Up to 3 months \$	3 months to 12 months \$	1 – 2 years \$
2011								
Financial assets								
Cash and cash equivalents	3.99	679,480	677,980	1,500	-	-	-	-
Receivables (a)	-	1,297,699	-	1,297,699	-	-	-	-
Held to maturity investments	5.74	3,899,806	-	-	3,899,806	2,734,450	1,129,026	36,330
		5,876,985	677,980	1,299,199	3,899,806	2,734,450	1,129,026	36,330
Financial liabilities								
Payables (b)	-	649,671	-	649,671	-	-	-	-
		649,671	-	649,671	-	-	-	-

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

(b) The amount of payables excludes income received in advance.

(d) Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 29 continued – Financial instruments

(e) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Board's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount	- 1% change		+ 1% change	
	\$	Profit	Equity	Profit	Equity
2012	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	210,254	(2,103)	(2,103)	2,103	2,103
Other financial assets	3,953,827	(39,538)	(39,538)	39,538	39,538
Financial liabilities					
All non interest bearing	-	-	-	-	-
Total increase/(decrease)		(41,641)	(41,641)	41,641	41,641
2011					
Financial assets					
Cash and cash equivalents	677,980	(6,780)	(6,780)	6,780	6,780
Other financial assets	3,899,806	(38,998)	(38,998)	38,998	38,998
Financial liabilities					
All non interest bearing	-	-	-	-	-
Total increase/(decrease)		(45,778)	(45,778)	45,778	45,778

Notes to the Financial Statements

for the year ended 30 June 2012

Note 30 – Notes to the Statement of Cash Flows

(a) Reconciliation of cash

Cash at the end of the financial period, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2012	2011
	\$	\$
Current accounts		
Working account	217,609	236,802
At call deposit	-	-
Headworks reserve account	(7,620)	21,498
EDP upgrade reserve account	1	3
Subdivision reserve account	3	6,024
Asset replacement reserve account	10	413,646
Business development reserve account	1	7
Floats	1,750	1,500
	211,754	679,480

(b) Reconciliation of profit after income tax equivalent to net cash flows provided by/(used in) operating activities:

	2012	2011
	\$	\$
Profit after income tax equivalents	(131,787)	(515,289)
Non cash items:		
Depreciation	3,380,507	3,263,955
(Gain)/loss on disposal of non current assets	(54,462)	(30,850)
Impairment losses	-	72,152
Developer contributions	(165,817)	(68,961)
(Increase)/decrease in assets:		
Trade and other debtors	(83,157)	(205,392)
Inventories	(44,942)	(23,829)
Prepayments	12,887	8,431
Increase/(decrease) in liabilities:		
Trade creditors and accruals	348,230	217,585
Employee provisions	8,093	149,277
Other items:		
Income tax equivalents	380,320	391,359
Net GST receipts/(payments)	95,252	(18,999)
Change in GST receivable/payable	(19,956)	(19,118)
Net cash provided by/(used in) operating activities	3,725,168	3,220,321

Notes to the Financial Statements

for the year ended 30 June 2012

Note 31 – Credit standby arrangements and loan facilities

(a) Credit standby arrangements

Standby funds are provided by the Board's bankers. A total of \$1,000,000 is accessible by the Board. The bank overdraft facility may be drawn at any time and is subject to annual review.

At 30 June 2012, an aggregate amount of \$1,000,000 remained unused (2011: \$1,000,000 unused).

(b) Summary of loan facilities

	2012	2011
	\$	\$
Credit standby arrangement	1,000,000	1,000,000
	1,000,000	1,000,000

Note 32 – Remuneration of auditor

Remuneration payable to the Auditor General, in respect of the audit for the current financial year is as follows:

	2012	2011
	\$	\$
Auditing the accounts, financial statements and key performance indicators	34,500	32,000
	34,500	32,000

Note 33 – Remuneration of members of the Board and senior officers

(a) Remuneration of members of the Board

The number of Board members, whose total of fees, salaries, superannuation, non monetary benefits and other benefits for the financial year, fall within the following bands is:

	2012	2011
nil to \$10,000	6	6
\$10,001 to \$20,000	1	1
Total remuneration	\$33,498	\$27,281

(b) Remuneration of senior officers

The number of senior officers, other than those reported as members of the Board, whose total of fees, salaries, superannuation, non monetary benefits and other benefits for the financial year, fall within the following bands are:

	2012	2011
\$60,001 to \$70,000	1	-
\$100,001 to \$110,000	1	1
\$140,001 to \$150,000	-	1
\$170,001 to \$180,000	1	1
\$200,001 to \$210,000	1	-
Total remuneration	\$549,583	\$420,503*

No senior officers are members of the Pension Scheme.

* The comparative has been restated to include leave accruals.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 34 – Explanatory statement

(a) Actual to budgeted results

This statement provides details of any significant variations between estimates and actual results for the 2012 financial year. Significant variations are considered to be those greater than 10% or \$200,000.

	Actual 2012 \$	Estimate 2012 \$	Variance \$
Revenue:			
Water sales	8,402,323	8,452,119	(49,796)
Consumption charges	5,295,910	5,592,723	(296,813)
Supply charges	2,784,655	2,850,310	(65,655)
Other charges	692,724	365,782	326,942
Rebates given	(370,966)	(356,696)	(14,270)

Residential volumetric consumption dropped by 4.5% in 2011-2012, with an average reduction over the last three years of 2.6%.

Non residential volumetric consumption also dropped by 3.5% in 2011-2012, with an average reduction over the last three years of 3%.

The budget was conservative, making an assumption of no change in consumption behaviour for the year.

Supply charge revenue didn't meet budget expectations due to low growth of 1% in service connections for the year.

Other charges included significant private works completed for Main Roads Western Australia and the City of Bunbury. These projects at the Picton Road and Eelup round about areas required the realignment of large trunk mains.

	Actual 2012 \$	Estimate 2012 \$	Variance \$
Revenue:			
Developer Contributions	611,514	356,163	255,351
Headworks contributions	439,401	260,133	179,268
Gifted assets	165,817	71,030	94,787
Subdivision charges	6,296	25000	(18,704)

The receipt of developer contributions is highly demand driven, this financial year indicating greater property development activity than anticipated.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 34 continued – Explanatory statement

(a) Actual to budgeted results

	Actual 2012 \$	Estimate 2012 \$	Variance \$
Expenses:			
Operational Expenses	6,391,484	6,422,405	(30,921)
Materials and contractors	1,361,543	999,389	362,154
Electricity	352,318	337,444	14,874
Salaries and wages	689,453	894,217	(204,764)
Employee overheads	543,830	504,547	39,283
Other expenses	63,833	65,900	(2,067)
Depreciation	3,380,507	3,620,908	(240,401)

Large increase in materials and contractors evidenced by the unpredicted level of private works projects during the year.

Salaries and wages appear short of budget, however the budget did not allow for direct labour attributable to capital projects. Total salaries for this department (costed to both capital and operating projects) were almost 100% on budget.

Depreciation resulted lower than expected due to a combination of capital works projects deferrals and the revaluation of Mains at 30 June 2011.

(b) Comparison of actual results

This statement provides details of any significant variations between actual revenues and expenditures for the 2012 and 2011 financial years. Significant variations are considered to be those greater than 10% or \$200,000.

	Actual 2012 \$	Actual 2011 \$	Variance \$
Water sales	8,402,323	8,109,387	292,936
An increase in consumption revenue from the prior year has almost offset the reduction in revenue from supply charges between 2012 and 2011. The other water sales category has been the main contributor to the increase in revenue on the prior year, due to the unpredicted demand in private works projects involving mains relocations and replacements.			
Developer Contributions	611,514	426,655	184,859
2012 brought an unanticipated increase in property development, particularly smaller subdivisions.			

Notes to the Financial Statements

for the year ended 30 June 2012

Note 35 – Supplementary information

(a) Write offs

Revenue and other property written off by the Board during the financial year:

	2012	2011
	\$	\$
Ex gratia water allowances	41,017	39,401
Account write offs	-	722
Property write offs	4,896	10,511
	45,913	50,634

Note 36 – Non cancellable operating lease revenue

The Board holds long term operating leases with payments receivable annually for telecommunications towers located on the Board's facilities. The minimum lease payments receivable are as follows:

	2012	2011
	\$	\$
Within 1 year	46,155	44,276
Later than 1 year but not later than 5 years	188,728	196,752
Later than 5 years	33,638	71,769
	268,521	312,797

Note 37 – Commitments for expenditure

(a) Operating expenditure commitments

Expenditure commitments, including information technology support, internal audit, external audit, office cleaning and sanitary services, grounds maintenance and chlorine supply, contracted for at the reporting date but not recognised as liabilities, are payable as follows:

	2012	2011
	\$	\$
Within 1 year	513,189	194,288
Later than 1 year but not later than 5 years	233,289	60,996
Later than 5 years	-	51,200
	746,478	306,484

Notes to the Financial Statements

for the year ended 30 June 2012

Note 37 continued – Commitments for expenditure

(b) Capital expenditure commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2012 \$	2011 \$
Within 1 year	2,227,565	1,488,282
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	2,227,565	1,488,282

The capital commitments include amounts for:

Buildings	1,709,476	-
Land	-	-
Office equipment	34,140	-
Treatment plants	181,904	-
Plant and equipment	-	-
Motor Vehicles	154,878	-
Reservoirs	147,168	389,758
Bores and pumps	-	1,098,524
Mains and service connections	-	-
	2,227,565	1,488,282

Note 38 – Contingent assets and contingent liabilities

As at 30 June 2012, there are no material contingent assets or liabilities to report.

Note 39 – Events occurring after the reporting date

There have been no events occurring after the reporting date requiring disclosure in the 30 June 2012 financial statements.

Annual Estimates (Not subject to audit by the Office of the Auditor General)

Budget Income Statement for the year ended 30 June 2013

	2013 \$
REVENUE	
Water sales	
Water consumption	6,171,200
Supply fees	2,688,600
Less: rebates	(402,300)
	8,457,500
Other income	
Interest received	84,000
Developer contributions	359,500
All other revenue	589,800
	1,033,300
TOTAL REVENUE	9,490,800
EXPENSES	
Cost of services	
Salaries and wages (direct labour)	912,200
Overheads	533,500
Ongoing works – materials/contractors	804,900
Non recurrent works – materials/contractors	571,000
Other expenses	64,500
Electricity	499,500
Depreciation	3,409,100
	6,794,700

	2013 \$
EXPENSES continued	
Administration and other expenses	
Computer maintenance and software	275,600
Insurance	116,000
Salaries and wages	1,851,200
Superannuation	183,100
All other expenses	908,200
	3,334,100
TOTAL EXPENSES	10,128,800
OPERATING PROFIT BEFORE INCOME TAX	(638,000)
Income tax equivalent	108,600
Operating profit after income tax	(746,600)
Add: retained profits at beginning of year	39,907,100
Add: transfers from reserves	3,988,600
Less: transfers to reserves	(2,004,300)
RETAINED PROFITS AT PERIOD END	41,144,800

Annual Estimates (Not subject to audit by the Office of the Auditor General)

Budget Statement of Financial Position as at 30 June 2013

	2013 \$
ASSETS	
Current assets	
Cash and cash equivalents	150,800
Other financial assets	1,395,900
Receivables	1,474,000
Inventories	384,000
Other current assets	163,000
	<u>3,567,700</u>
Non current assets	
Property, plant and equipment	112,147,000
Other non current assets	1,182,000
	<u>113,329,000</u>
TOTAL ASSETS	<u>116,896,700</u>
LIABILITIES	
Current liabilities	
Payables	720,000
Provisions	474,000
	<u>1,194,000</u>
Non current liabilities	
Provisions	113,000
Deferred tax liabilities	16,300,000
	<u>16,413,000</u>
TOTAL LIABILITIES	<u>17,607,000</u>
NET ASSETS	<u>99,289,700</u>

	2013 \$
EQUITY	
Reserves	58,144,900
Retained earnings	41,144,800
TOTAL EQUITY	<u>99,289,700</u>



INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

BUNBURY WATER BOARD

Report on the Financial Statements

I have audited the accounts and financial statements of the Bunbury Water Board.

The financial statements comprise the Statement of Financial Position as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Bunbury Water Board at 30 June 2012 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Bunbury Water Board during the year ended 30 June 2012.

Controls exercised by the Bunbury Water Board are those policies and procedures established by the Board to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Board's Responsibility for Controls

The Board is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.



Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Bunbury Water Board based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Board complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Opinion

In my opinion, the controls exercised by the Bunbury Water Board are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2012.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Bunbury Water Board for the year ended 30 June 2012.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Board's Responsibility for the Key Performance Indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Board determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Board's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Opinion

In my opinion, the key performance indicators of the Bunbury Water Board are relevant and appropriate to assist users to assess the Board's performance and fairly represent indicated performance for the year ended 30 June 2012.



Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Bunbury Water Board for the year ended 30 June 2012 included on the Board's website. The Board's management are responsible for the integrity of the Board's website. I have not been engaged to report on the integrity of the Board's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

GLEN CLARKE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
6 September 2012



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