



# Annual Report 2013



As part of Aqwest's commitment to continuous improvement, it has built a dedicated Water Quality Centre with fully equipped laboratory and testing facilities.

This Centre is also capable of becoming the Business Continuity Centre if for any reason our Water Services Centre cannot operate.

We believe that having a Plan B to ensure there is no interruption to water services is not just important but critical to providing essential services.

Having this facility will enable us to offer water quality testing to other water utilities, which will provide a return on our investment.

The Water Quality Centre was built on time and close to budget.

### **Contacts**

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A copy of all annual reports is available from the website.

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# Introduction

## Statement of Compliance

for the year ended 30 June 2013

Hon. Terry Redman MLA  
Minister for Training and Workforce Development; Water; Forestry

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 2013.

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



S Liaros  
Chairman  
2 September 2013



N Eastman  
Board Member  
2 September 2013



J G Smith  
Chief Finance Officer  
2 September 2013

Aqwest is committed to providing sustainable, high quality drinking water that consistently meets or exceeds consumer expectations, the Australian Drinking Water Guidelines and regulatory requirements.

In this year's Customer Survey, 90.8 per cent of respondents believed our water was safe to drink, 86.2 per cent were satisfied with the quality of tap water and 89 per cent were satisfied overall with our services.

## Our Purpose

To provide sustainable high quality water services.

## Our Vision

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

## Our Values

Be ethical.  
Have and display integrity.  
Be accountable and transparent.

## Our 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.

# Year in Review

## Our Highlights

<p style="text-align: center;"><b>Safety Excellence</b></p> <p style="text-align: center;">Following external evaluation, we were awarded a Platinum Certificate of Achievement under the WorkSafe Plan assessment process, which rates occupational and health management systems.</p> <p style="text-align: center;"><b>Platinum Certificate</b></p>	<p style="text-align: center;"><b>Community Satisfaction</b></p> <p style="text-align: center;">Overall community satisfaction with Aqwest continues to be high, providing us with the assurance that our customers perceive that Aqwest has again performed very well in 2013.</p> <p style="text-align: center;"><b>89 per cent</b></p>
<p style="text-align: center;"><b>Sustainability</b></p> <p style="text-align: center;">Average water consumption per property was 14 per cent better than target in 2013.</p> <p style="text-align: center;"><b>Water Efficiency</b></p>	<p style="text-align: center;"><b>Water Quality</b></p> <p style="text-align: center;">Number of zones where microbiological compliance was achieved.</p> <p style="text-align: center;"><b>7/7</b></p>
<p style="text-align: center;"><b>Water Quality Centre</b></p> <p style="text-align: center;">Completion of the Water Quality Centre.</p> <p style="text-align: center;"><b>State of the Art Facility</b></p>	<p style="text-align: center;"><b>Affordability</b></p> <p style="text-align: center;">National Performance Report for Urban Water Utilities for 2011-2012 released in March 2013.</p> <p style="text-align: center;"><b>Lowest typical residential bill in Australia.</b></p>

## Our Performance Summary

To ensure we performed to the highest standard, we generated key performance indicators (KPI) together with management performance indicators (MPI) in areas that were critical to our business. A full list of our KPIs and MPIs is provided on pages 20 to 23.

Following is a summary of our success against the agreed KPIs and MPIs.

The results show that for the vast majority of indicators we achieved our goals with the exception of the average duration of unplanned interruptions.

Our water production was within our licenced allocation and the water quality in our seven zones was achieved in every zone.

During the year, the average time lost per injury dropped from 3.74 days to zero, which shows our staff had a professional attitude to work health and safety.

We continued to provide comprehensive training so our employees had an opportunity to acquire the best knowledge and skills available. This together with our traineeship program proved extremely successful.

Performance Indicators	2012-2013	
	Target	Actual
Quantity of water produced within licenced allocation	<7.6 GL	6.33GL
Average annual residential water supplied (kL/property)	<290kL	253kL
Number of zones where microbiological compliance was achieved	7 out of 7	7 out of 7
Average frequency of an unplanned interruption (per 1000 properties)	<250	204
Average duration of an unplanned interruption (minutes)	<60 mins	56.7 mins
Properties served per kilometre of water main	>40	43.5
Off-peak energy use	>70%	75%

## From the Chairman



**Stan Liaros**  
Board Chairman

### Financial Performance 2012-2013

It is never pleasing to report financial performance that is lower than budget projections, especially when it is significant. This financial year the Board budgeted for an operating loss of \$638,000, but the actual operating loss was \$2,005,128.

In broad terms, total revenue for water sales was \$290,000 below budget and it was absolutely necessary for us to fund investigative and prompt repair works to water storage infrastructure assets that were not totally budgeted.

In addition to the above, Treasurer's Instruction 1101, paragraph 14 was adopted from and including 1 July 2012. The nature of that change increased the threshold of capitalisation/expense asset from \$100 to \$5,000. This affected the operating loss by approximately \$580,000.

### Strategic Development Plan and Statement of Corporate Intent

The Board and management team dedicated considerable time to plan for the future with the results reflected in the SDP and SCI. Both documents are the blueprint for Aqwest's ongoing success and its pathway to meeting future demand. Following formal endorsement by the Minister, we look forward to delivering on the agreed long and short-term directions for the organisation.

### National Performance Report for Urban Water Utilities 2011-2012

The seventh annual National Performance Report for Urban Water Utilities for 2011-2012 was released in March 2013.

The Report contained information from 80 water utilities in all Australian States and Territories. Aqwest-Bunbury Water Board fell within those utilities with between 10,000 and 20,000 connected properties. Aqwest performed extremely well against the benchmarks in the vast majority of categories

including lowest typical residential bill in Australia. (Ref: National Water Commission, National Performance Report 2011-2012, Urban Water Utilities).

### Corporatisation

The progress in 2012-2013 of the Water Services Bill and Water Services Legislation Amendment and Repeal Bill was pleasing. This legislative change, once enacted, will result in Aqwest becoming a corporation known as the Bunbury Water Corporation but will continue to trade as Aqwest. We look forward to the opportunities that legislative change will ultimately deliver.

The Board acknowledged the significant contribution and assistance of the Department of Water and Minister's Office in progressing legislative change in the water industry.

### Customer Satisfaction Survey

We appointed an independent third party to conduct an annual customer satisfaction survey. There were nine indicators within the overall survey, each with a performance target of 85 per cent. The survey indicated that overall satisfaction with Aqwest was 89 per cent (down 1 per cent on the prior financial year). Customer feedback indicated that we needed to continue to work hard to inform customers about our future planning.

### Business Continuity Planning

The Board devoted substantial resources to Business Continuity Planning (BCP). In the reporting year the construction of the "off site" business continuity centre (Water Quality Centre) was completed and we remain committed to maintaining a high level of BCP maturity.

"The continuous supply of potable water" was identified as Aqwest's highest-ranking critical business process. The utility is tested annually to ensure it is capable of responding to emergency situations. Aqwest is confident its capacity to maintain all critical business processes is strong and well developed.



# From the Chairman

## **Board Committees**

Board Members actively participated in the Risk Management, Audit and Business Development Committees and attended relevant forums to increase their overall knowledge of the Australian water industry. We are proud of the utility's standing in the community.

## **Closing**

Aqwest maintains a good attitude, a good atmosphere and a continual focus on customer satisfaction and service. We continue to look forward to emerging opportunities in the West Australian water industry.

I thank my fellow Board Members Judy Jones, Wayne Edgeloe, Neville Eastman, Rob Nicholson and Edwin Abdo, Executive staff and all staff for their efforts and commitment during the 2012-2013 financial year.

Stan Liaros  
Board Chairman  
23 August 2013

# Chief Executive Officer's Summary



**Brad Bevis**  
Chief Executive Officer

## Financial Performance

Aqwest's financial performance in 2012-2013 was well below budgeted expectations. The Board budgeted for an operating loss of \$638,000 but the actual operating loss was \$2,005,128. The reasons for this are well documented at note 34 (a) "Actual to budgeted results" on page 69 of this Annual Report.

Financial performance is monitored continuously and the Board provided with monthly reports. Both the Audit Committee and Board of Management considered formal quarterly budgets.

In May 2013, we borrowed \$610,000 through the West Australian Treasury Corporation. Prior to this, we had been debt free since 1999. As indicated in prior annual reports, the Board would prefer to remain debt free but this is not a position supported by the Economic Regulation Authority's pricing model.

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.

## Asset Management

During the year, we conducted a major review of our asset management framework. While current systems have served us well over an extended time, we have recognised changes in this field. The asset management framework was amended in accordance with the new contemporary standards, which are PAS 55 (British Standard's Institutions' "Publicly Available Specification") for the optimised management of physical assets and ISO 55000 that is currently being developed to form the first set of International Standards for asset management.

## Human Resources

The Board remains committed to providing an environment that allows all employees the opportunity to thrive and acknowledged that the staff services program continued to provide tangible benefits for both employees and Aqwest. The Board endorsed a schedule related to the employment of trainees.

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, which delivers better outcomes for Aqwest.

A staff attitudinal survey was again completed in 2012-2013 but it was changed to better reflect what currently represents contemporary best practice in this area. The results were generally pleasing.

## Safety

The Board's points based Safety Incentive Scheme was again highly successful with staff achieving a record number of points. There were no lost time injuries in 2012-2013 and WorkSafe awarded the Board a Platinum Certificate of Achievement.

## Key Performance Indicators

The Board has five key performance indicators and 19 management indicators and the Minister for Water approves the indicators and their targets annually. These KPIs are detailed on pages 28-31.

## **Business Development Sub Committee**

The Board has a Business Development Sub Committee to facilitate the progression of the business post legislative change. The Board considers it essential to have a plan that addresses the relevant issues and opportunities that may arise once we are corporatised. During the year, the Board and local Department of Planning identified areas east of Eaton and Treendale as potential for expansion in line with the Greater Bunbury Strategy 2011-2031.

## **Pricing**

During the year, the State Government endorsed the Economic Regulation Authority's pricing recommendations applicable to Aqwest, which are based on the recovery of legitimate costs. To ensure the long-term sustainability of the business, it is obviously critical that costs are recovered.

The Board provided rebates in excess of \$415,000 to pensioners and senior customers in 2012-2013.

## **Maintenance/Capital Works**

Customers can be assured we have the required planning in place for water infrastructure to meet long-term growth of the City of Bunbury.

## **Risk Management**

The Board has a dedicated Risk Management Committee. During the year, the Board again completed an assessment of Board level risks. Business Continuity Planning is well developed with the plan again being tested and assessed during the financial year. Our highest-ranking critical business process was identified as "the continuous supply of potable water". RiskCover's ongoing assistance and advice, including hosting its RiskBase software is greatly appreciated.

## **Water Quality**

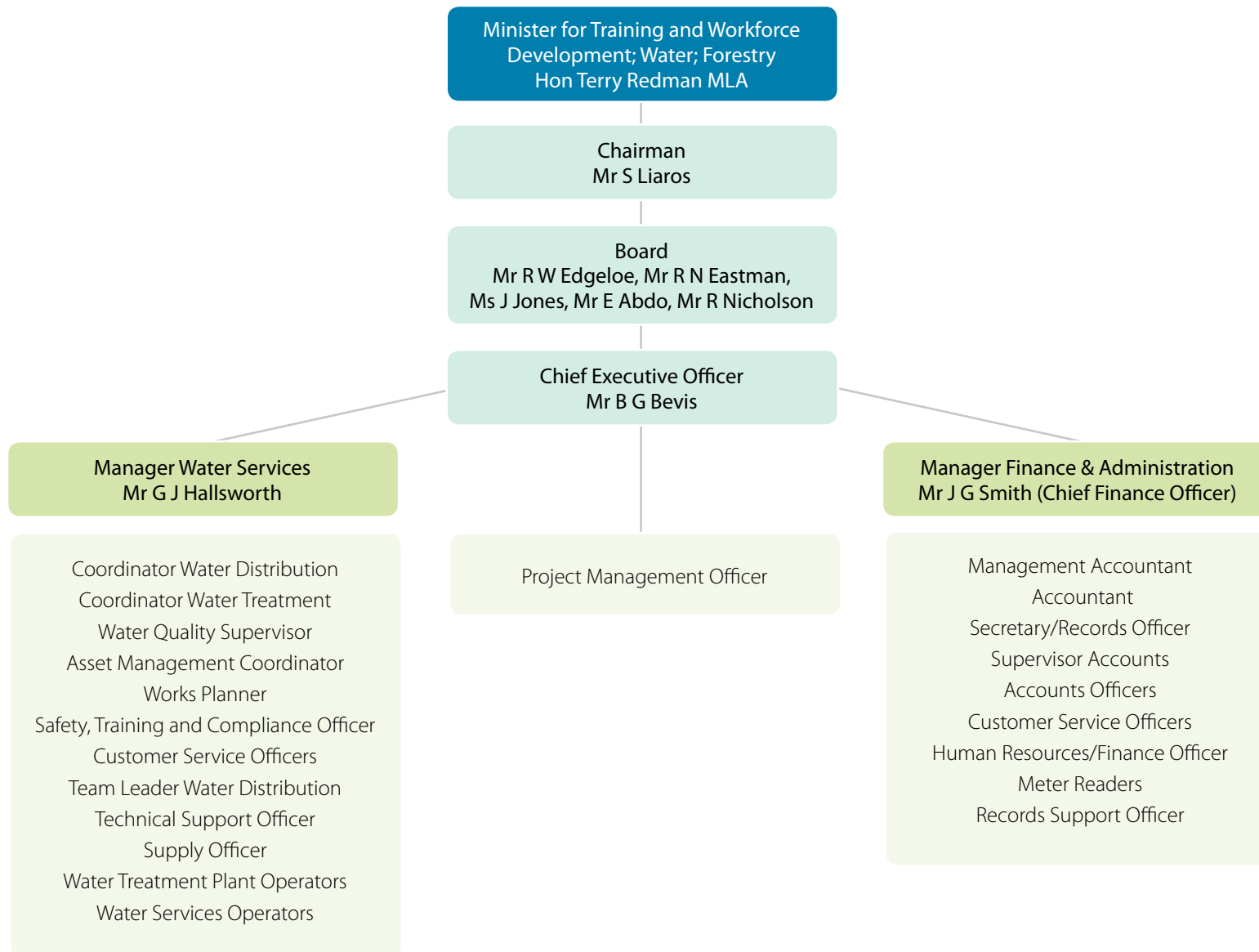
Providing sustainable high quality water services is obviously fundamental to us. The Board has a highly experienced Water Quality Committee and appreciates the external expertise brought to this forum by the WA Department of Health, Hunter Water Australia and the City of Bunbury. A Memorandum of Understanding on water quality is in place between Aqwest and the Department of Health. Our Board identified 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 was achieved again in 2012-2013 and for every year over the past decade or more.

## **Closing**

In conclusion, 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 normal working hours to ensure this 24/7 business provides continuous excellence in customer service. 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  
23 August 2013

## Operational Chart



## Operational Structure - 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 was subject to the provisions of the *Public Sector Management Act 1994*.

### **Responsible Minister**

Hon Terry Redman MLA

Minister for Training and Workforce Development; Water; Forestry

The Minister for Training and Workforce Development; Water; Forestry administered the following water related 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

Aqwest-Bunbury Water Board, in the performance of its functions, complied with relevant written laws.

These are listed in full in Appendix 1.

## Operational Structure - Our Board

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, 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.

# Operational Structure

## Our People

Aqwest has a Board and an Executive, jointly they determine the policies of the water utility.

At 30 June 2013, we had 30 permanent full-time staff, 5 permanent part-time, 4 fixed term full-time staff and 2 casual staff.

Staff levels have remained stable and we continued to have a core of employees who have worked for us for more than a decade.

During the year, two employees obtained their Certificate II in Water Quality and two obtained their Certificate III.

A new Administrative Trainee role was created.

## Corporate Executive

The Executive consisting of Brad Bevis, Chief Executive Office, Gary Hallsworth, Manager Water Services and Joe Smith, Manager Finance and Administration provided support to the Board.

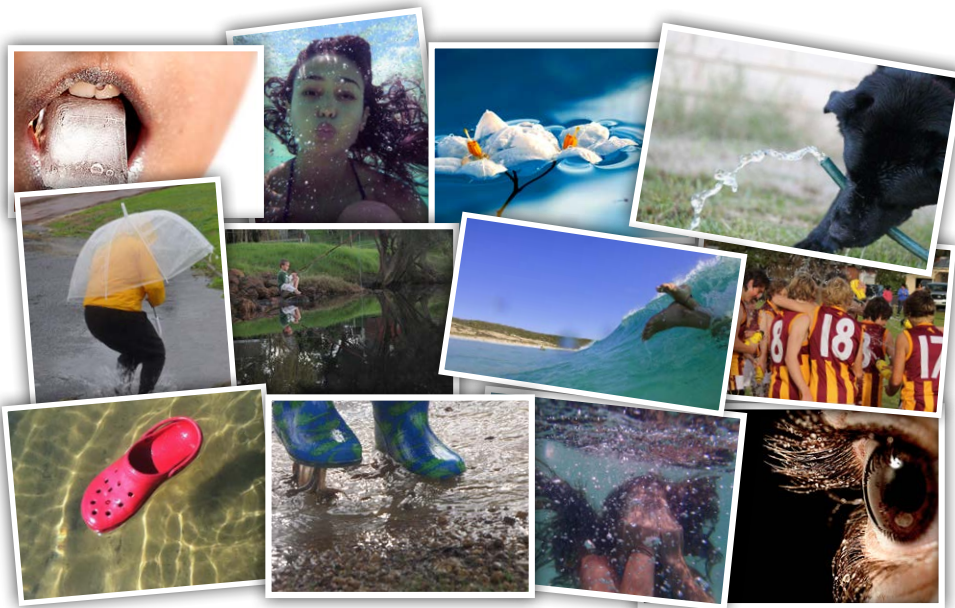


*Celebrating the 10 Year Anniversary of the opening of the Water Services Centre in MacKinnon Way, Bunbury*

## Our Culture

### Photographic Competition

Each year we hold a photographic competition for juniors aged from under 12 years up to 17 years. We usually receive around 220 entries and the level of expertise is outstanding. Each year the winners are featured in a calendar that is given away to entrants and our customers.



### Internal Communities

Employees remained very positive about the cooperation between all staff and especially positive about the way staff worked together in their own areas. As sharing information ranked highly amongst staff we ensured that communication was open and staff had the opportunity to offer suggestions to increase our performance.

Every year we conduct a staff attitudinal survey, which is designed to compare organisational performance against Australian Quality Award criteria.

### Work/Life Balance

Job satisfaction/interesting work remained clearly the aspect that our employees liked about working for us.

We respond to the circumstances of each individual employee to ensure their work/life balance is mutually beneficial. Our aim is to be the employer of choice and we strive to obtain this in all levels of business.

### Awards

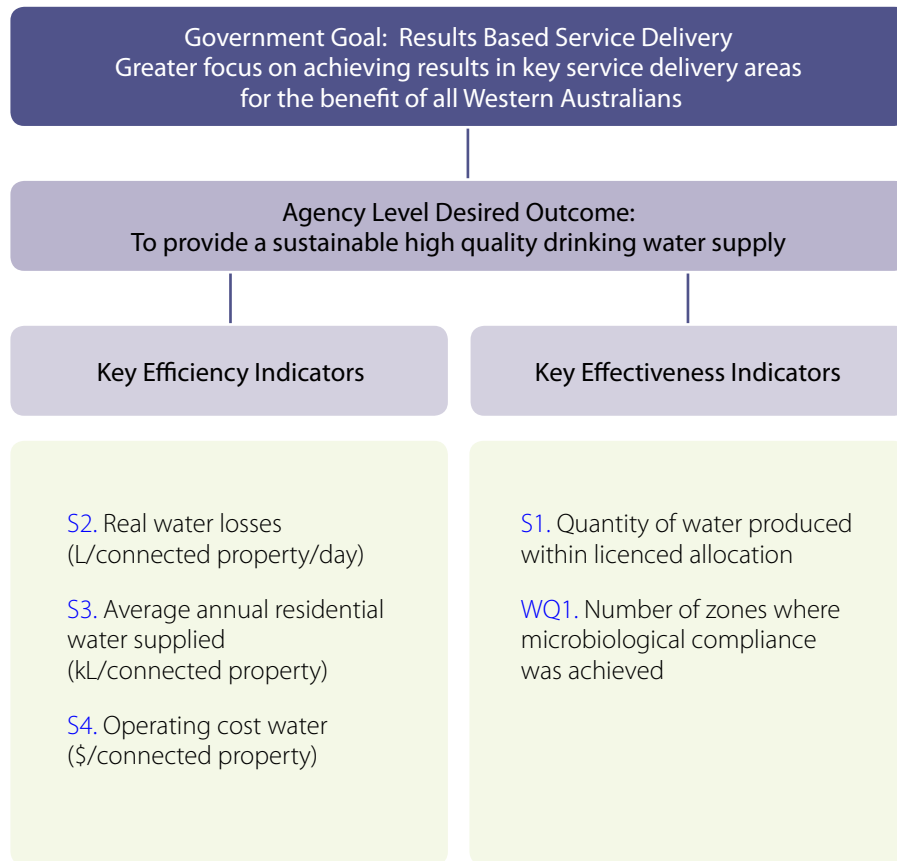
During the year, we were awarded the Platinum Certificate of Achievement under the WorkSafe Plan assessment process, which rates occupational safety and health management systems.

### Professional Development

All employees are encouraged to increase their knowledge and skills and take part in our comprehensive program. The majority of staff in the water services area have obtained Certificate III in Water Services or are working towards the qualification.



# Performance Management Framework



## Relationship to Government Strategic Goals

Aqwest supported the State government’s broad high-level strategic goals in ways that provided specific desired outcomes. One of these outcomes was to provide sustainable, high quality drinking water at a fair price. Two key effectiveness indicators were used to measure the extent to which the outcome had been achieved.

(Note: S = Sustainability, WQ = Water Quality).

The information below demonstrates the relationship between our desired outcome and the most appropriate government goal – Goal 3.

Service delivery costs included all expenditure excluding capital costs and depreciation. These costs did not contribute to the delivery of services. To measure the costs and efficiency of supplying drinking water, three efficiency indicators were used.

## Changes to Results Based Management Framework

The Board’s Results Based Management Framework did not change during the financial year ended 30 June 2013.

## Shared Responsibilities with Other Agencies

The Board did not share any responsibilities with other agencies during the financial year ended 30 June 2013.

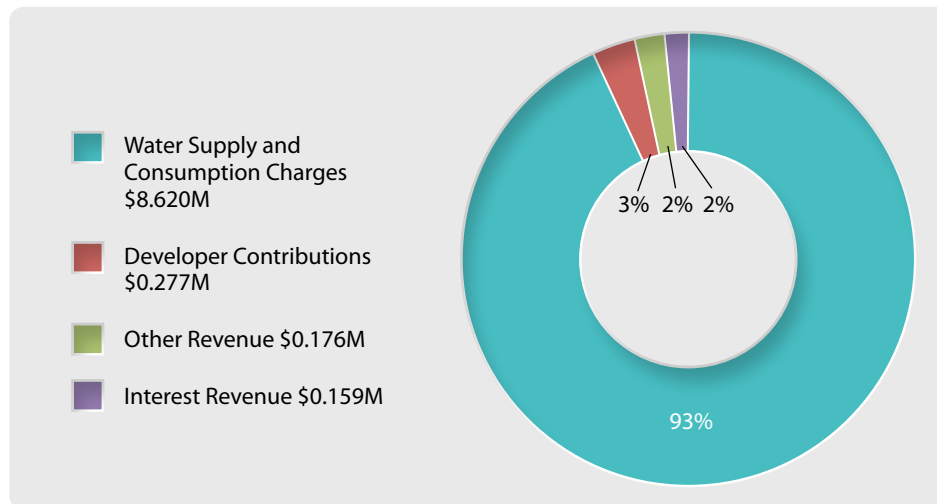
# Financial Summary

This Financial Summary provides an overview of some key elements of our Financial Statements for 2012-2013. (see pages 32-74)

## Income

We received a total income of \$9.23 million in 2012-2013. A breakdown of categories is shown below:

### Income Sources (\$ million)



The largest contribution to our income represented water supply and consumption charges of \$8.62 million or 93 per cent of total funds received. At 3 per cent, our second highest contribution comes from Developer Charges at \$0.277 million.

Other income sources include chargeable works revenue and interest on investments.

## Our Assets

The total value of our assets was \$93.22 million, which was a decrease of about \$9.27 million when compared against last year, due to recent revaluation of assets. The major component of our assets was water infrastructure making up 95 per cent of what we own. The table below shows the changing trend over the last three years in the value of the assets we manage on behalf of the community.

### Our Assets (\$ million)

2012-2013	\$93.22
2011-2012	\$102.51
2010-2011	\$102.15

## Our Liabilities

Our liabilities were employees' leave entitlements, other payables such as creditors, accruals and a new loan with Western Australia Treasury Corporation. The total value of our liabilities was \$10.67 million, which represented a decrease of just over \$2.3 million from last year. Below is the trend of our liabilities at the end of each financial year over the last three years.

### Our Liabilities (\$ million)

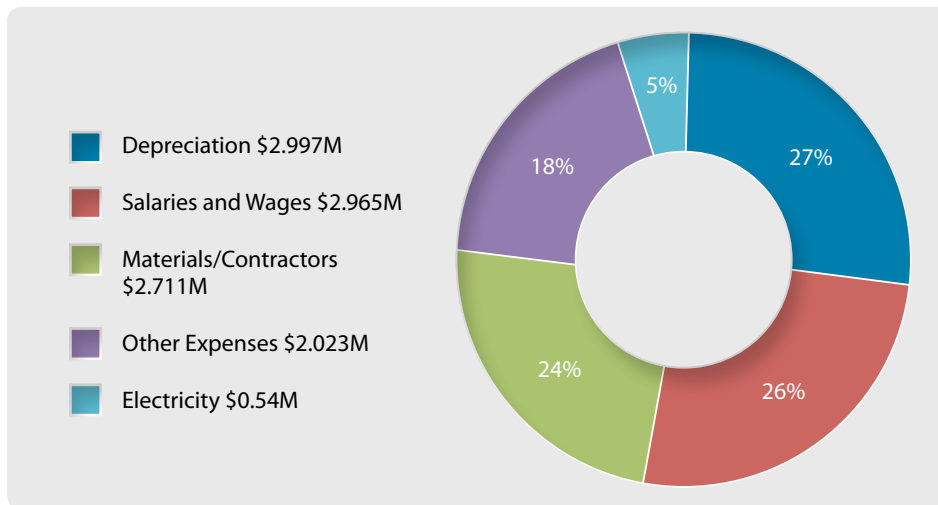
2012-2013	\$10.67
2011-2012	\$13.02
2010-2011	\$12.99

## Expenditure

During the year, our total expenses were \$11.2 million.

### Expenditure by Type (\$ million)

Our largest expenditure areas were capital works, and supplies and services associated with asset management, network operations and maintenance of our water supply network. Due to the size of our asset base, we also had a significant amount of depreciation. The next biggest areas of expenditure included salaries/wages and electricity.



## Key Performance Indicators

	2012-13 Target	2012-13 Actual	Variance
S1. Quantity of water produced within licenced allocation (volume)	<7.6GL	6.3GL	1.3GL
S2. Real water losses (L/service connection/day)	<115L	116L	1L
S3. Average annual residential water supplied (kL/connected property)	<290kL	253kL	37kL
S4. Operating cost of water (\$/connected property)	< 6% increase	27.9% increase	21.9%
WQ1. Number of zones where microbiological compliance was achieved	7/7	7/7	On target

For additional information and trends on our key performance indicators, see: 'Disclosures and Legal Requirements – Additional Key Performance Indicator Information'.

## Additional Performance Information – Management Performance Indicators

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

PI no.	Description	Target 2013	Actual 2013	2012	2011	2010	2009
<b>Key Result Area - Sustainability</b>							
S5	Economic real rate of return	>2.4%	(0.67%)	(0.08%)	(0.49%)	1.27%	1.16%
S6	Total net greenhouse gas emissions (net tonnes CO <sub>2</sub> equivalent) per 1,000 properties	2% reduction per annum	3.00%	10.00%	2.05%	3.05% (first year)	n/a
S7	Percent of fixed costs recouped via supply fees	100%	39%	42%	45%	53%	58%
S8	Operating cost per megalitre (ML)	<6% increase per annum	\$1,301 32.6% increase	\$981 1.8% decrease	\$1,000 21.8% increase	\$821 5.2% decrease	\$866 8% decrease
<b>Key Result Area – Customer Service</b>							
CS1	Customer satisfaction survey target met	9/9	4/9	4/9	5/9	5/9	5/9
CS2	Average frequency of an unplanned interruption (per 1,000 properties)	<250	204	168	143	128	231
CS3	Average duration of an unplanned interruption (mins)	<60 mins	56.7 mins	61.8 mins	50.3 mins	41.7 mins	32.3 mins
CS4	Water quality complaints (per 1,000 properties)	<4	7	9	7	6	7
CS5	Water service complaints (per 1,000 properties)	<4	4.4	4.7	3.8	5.2	n/a
CS6	Billing and account complaints (per 1,000 properties)	<2	0.7	0.5	0.5	0.9	n/a

## Additional Performance Information – Management Performance Indicators

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

PI no.	Description	Target 2013	Actual 2013	2012	2011	2010	2009
<b>Key Result Area – Forward Planning</b>							
FP1	Debt to equity ratio	<5.2%	0.74%	0%	0%	0%	0%
FP2	Properties served per kilometre of water main	>40	43.5	43.0	42.5	43.7	43.4
FP3	Water main breaks (per 100km of water main)	<20	12.2	10.2	10.2	10.7	8.6
FP4	Energy consumption (kWh/kL)	<0.45	0.44	0.48	0.50	0.48	0.49
FP5	Off peak energy use	>70%	75%	78%	75%	71%	71%
<b>Key Result Area – Human Resources</b>							
HR1	Staff attitudinal survey targets met for all parameters	9/9	No result	8/9	8/9	8/9	9/9
HR2	Lost time injury frequency rate (LTIFR)	<4.2	0	32.8	16.9	0	0
HR3	Average time lost per injury	<2	0	4 days	18 days	0	0
<b>Key Result Area – Regulatory Performance</b>							
RP1	Compliance with Aqwest Operating Licence service and performance standards Schedule 4	5/5	5/5	5/5	4/5	3/5	5/5
<b>Key Result Area – Water Quality</b>							
WQ1	See Key Performance Indicator results						
<b>Key Result Area – Community Engagement</b>							
CE1	Refer CS1 Performance Indicator						

During National Water Week (21-27 October), we had a very interactive display at Centrepoint 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.

We also held a competition to win a front-loading washing machine, which was on display in our foyer for six weeks before the draw. Board Member Judy Jones drew the winning entry and a local resident won the machine.



Each year the success of the Photographic Competition continues to grow and this year, we had 220 entries. A presentation was held at a local café where the winners received certificates and cash prizes. The winning photographs were featured in our calendar which was distributed to entrants and participating schools. The calendar was also available free to our customers and has become very popular.

During the year, we collaborated with the City of Bunbury to acquire and install state-of-the-art water fountains in three strategic locations in the city.



Our Public Relations Consultant attended Bunbury Primary School to talk to Year 2 students about the water cycle and Aqwest's operations. Attending schools is part of our ongoing education program.

Our Rehydration Station was very popular this year and was seen at the following events:

- Netball Courts - Hay Park
- Runners Club Event
- Horse & Country Music Festival
- Runners Club Marathon
- Rotary Club Festival
- Australia Day Celebrations
- Val Lishman Foundation
- Surf to Surf Fun Run
- Bunbury Kidsfest Event
- Women's Fun Run



## Communications

During the first half of this reporting year we continued to publish a fortnightly On Tap in the Bunbury Mail, topics covered were Aqwest's safety slogan, monitoring reservoirs, rostered watering days, washing machine competition and National Water Week.

Since then, we have been including On Tap in customers' accounts to ensure no important information is missed. Our first issue covered water saving tips, the installation of the three drinking water fountains in the City and the winner of the washing machine give away.

Our second issue was dedicated to the increases in residential water charges to ensure all customers fully understood why these increases were necessary.

We also reminded our customers about our new direct debit payment option to make paying bills more convenient.

We worked closely with all regional newspapers and provided media releases or media responses as requested.

During April, we published a two-page feature in the Bunbury Mail to keep customers up-to-date with our initiatives to reduce water bottles to landfill, what we are planning for the future, how customers can use their water meters to save money, our stringent testing for quality in our water supplies and how we serve our customers including pensioner rebates and the Hardship Utilities Grant Scheme.

**On Tap** Winter 2013 Issue 2 Vol 1

Residential water prices in Bunbury will rise by \$1.22 per week for average water consumption

### Residential Water Charges

The Economic Regulation Authority (ERA) has completed its 2012 inquiry into Aqwest's tariffs and those of other Western Australian water utilities. The ERA assessed our efficient costs and recommended a three-year price path that would allow us to recover those costs in a way that reflects the costs of service for different types of customers.

Residential water prices in Bunbury will rise by 19.6 per cent. As a percentage, this increase is significant but it will only add \$1.22 per week to water bills for average consumption and \$0.61 for persons who are able to claim the relevant rebate.

Despite the increase, Aqwest's current charges are amongst the lowest in Australia. We have been providing water to the City of Bunbury for 107 years. We have 30,000 customers, 35 employees and a \$100 million

plant base – we also have a can do attitude.

Our first priority is to supply sustainable high quality water services and our vision, as an independent water utility, is to provide diversity and competition in the West Australian water industry.

As one of our values is to be accountable and transparent, we believe an explanation of fees is important to our relationship.

We have a long record of charging fairly for the water we supply to our customers, but costs continue to rise for us as they do for individuals, including electricity, costs of products and consumables and wage costs.

Aqwest, like other businesses, budgets for general increases but, for example, when the annual cost of electricity goes from just over \$300,000 to nearly \$600,000 in two years, those costs have to be factored in.

Financial Year	Operating Profit (Loss)
2010-2011	(\$513,289)
2011-2012	(\$131,787)

We have returned an operating loss for the past two financial years as shown above, with a further significant operating loss projected for the 2012-2013 financial year.

Although Aqwest is a public utility, we have to perform as a commercial business. We endeavour to be the best and we are proud of our achievements. **We intend to be ahead for another 107 years.**

**TOTAL WINTER SPRINKLER BAN**

The sprinkler ban applies to all scheme water users and zone users from 1 June until 31 August.

**Contact AQWEST**

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Bunbury WA 6230  
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a.aqwest@aqwest.wa.gov.au  
www.aqwest.wa.gov.au

## Water Efficiency

We believe educating our customers about water efficiency and providing ways to do that is critical for the economic growth of our business.

Our education program also captures younger consumers. We visit schools and provide an Education Booklet that details Aqwest's infrastructure, the aquifer where Aqwest extracts the water and how water is treated before it flows from taps. We also provided bookmarks to schools to keep our message alive.

We have a dedicated website for younger consumers at [www.waterdetectives.com.au](http://www.waterdetectives.com.au) where they can sign up to be water detectives and keep a check on household water consumption. Water games and water trivia stretch their minds about ways to conserve water.

This education program has resulted in consumers using less water, which has remained steady at around 255kL average consumption per household.

This is a key factor to ensure long-term sustainability.





# Significant Issues Affecting the Agency

## Current and Emerging Issues

### **Current Issues and Trends**

Customer numbers have doubled over the last 30 years but water production has remained the same, which is an excellent result.

Reservoirs are critical assets that must be maintained in good operational order. Maintenance and repair works on these can be very significant and budgets may not be easy to generate.

The pricing recommendations for 2013-2014, 2014-2015 and 2015-2016 as made by the Economic Regulation Authority are strongly supported by the Board. The State Government has endorsed the recommendation for 2013-2014. It is essential that we are able to recover all legitimate costs through adequate pricing.

### **Emerging Issues and Trends**

In late 2013, Aqwest-Bunbury Water Board (trading as Aqwest) will become the Bunbury Water Corporation (trading as Aqwest). Becoming a corporation should provide opportunities for us to grow the business in the future, i.e. bulk water sales, alternative water services.

The limited availability of debt-funding is likely to significantly affect the timing of our capital works program.

The 10-year Financial Plan indicates that debt can be accommodated and paid in full during the term of the Plan.

# Disclosures and Legal Compliance

## Auditor General's Independent Audit Opinion

### 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 2013, 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 2013 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 2013.

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 2013.

#### **Report on the Key Performance Indicators**

I have audited the key performance indicators of the Bunbury Water Board for the year ended 30 June 2013.

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 2013.

## 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 2013 included on the Board's website. The Board's management is responsible for the integrity of the Board's website. This audit does not provide assurance 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 2013

## Disclosures and Legal Compliance

### Certification of Key Performance Indicators for the year ended 30 June 2013

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 2013.



S Liaros  
Chairman  
2 September 2013



N Eastman  
Board Member  
2 September 2013



J G Smith  
Chief Finance Officer  
2 September 2013

# Key Performance Indicators

Broad, high-level government strategic goals are supported at agency level by desired outcomes that are more specific. We supply drinking water to achieve these desired outcomes, which ultimately contribute to meeting these goals. The strategic high-level government goal relevant to Aqwest is:

“Results Based Service Delivery – Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.”

Our desired outcome of the activities to support this high-level strategic goal is:

“To provide a sustainable high quality drinking water supply.”

## Key Effectiveness Indicators

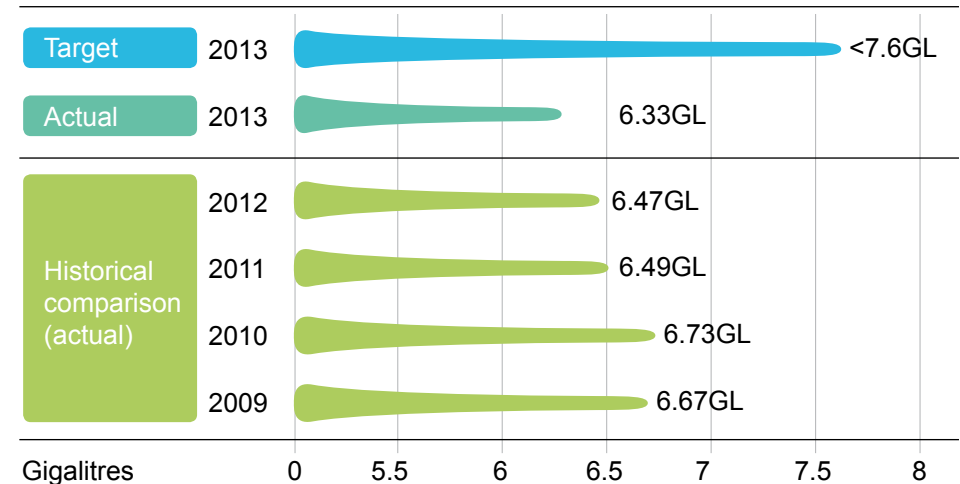
Our key effectiveness indicators are:

**Quantity:** KPI S1: Quantity of water produced within our licenced allocation.

**Quality:** KPI WQ1: Number of zones where microbiological compliance was achieved.

## Quantity

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



Note: GL = Gigalitres. There are one billion litres in a gigalitre.

### Explanation of variance

Result 2013 v target: The target is an upper limit set by the Department of Water.

Result 2013 v result 2012: Annual water production has remained at between 6GL and 7GL 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 1974*.

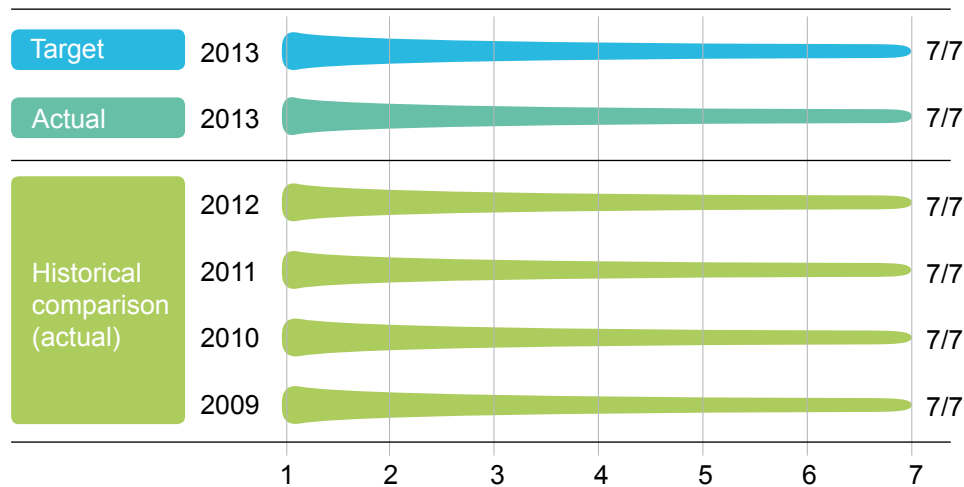
# Key Performance Indicators

## 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.

### Quality

#### KPI WQ1. Number of zones where microbiological compliance is achieved



### Explanation of variance

No variance to target.

### Standard utilised to set target

Microbiological compliance relates to the water quality parameters of bacteriological and amoebae across each of Aqwest’s seven zones. Compliance of 100 per cent (i.e. 7 out of 7 zones) is the objective.

## Relevance of indicator to the Agency Level Desired Outcome

Compliance with bacteriological and amoebae water quality parameters are essential for the provision of high quality drinking water.

Aqwest’s three key efficiency indicators are:

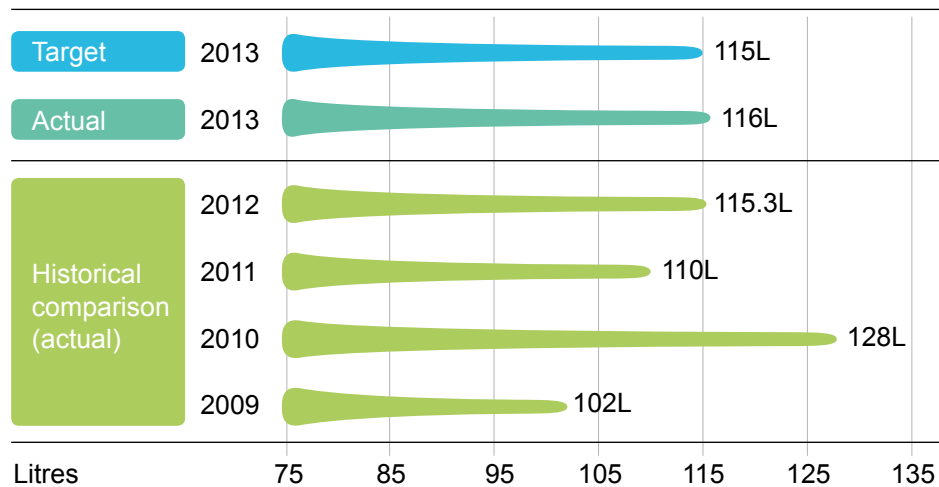
Real water losses: KPI S2 – Litres (L) per service connection per day.

Average annual residential water supplied: KPI S3– kilolitres (kL) per connected property.

Cost (efficiency): KPI S4 – Operating cost of water. The cost is calculated to include total expenses (less depreciation) divided by all connected properties.

# Key Performance Indicators

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



### Explanation of variance

Result 2013 v target: Minor variance to target. The increase is within the typical range expected due to metering accuracy limits.

Result 2013 v result 2012: Marginal change.

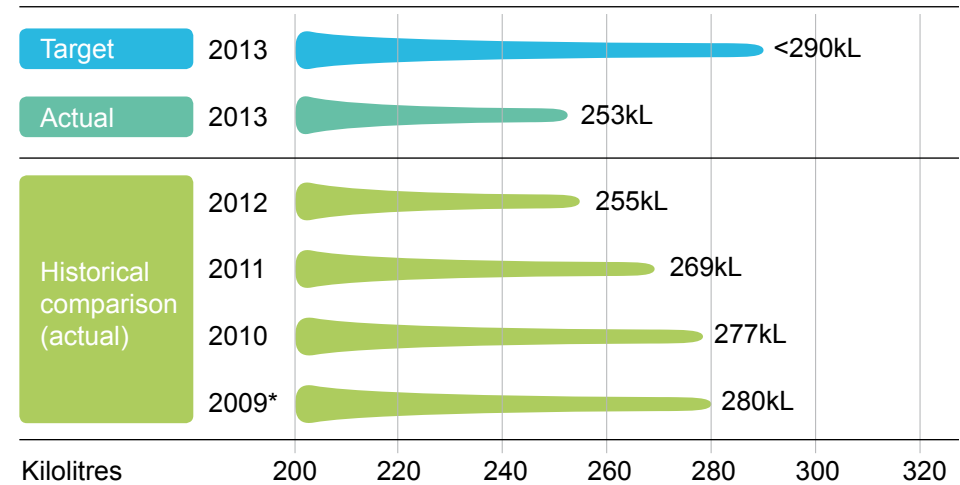
### Standard utilised to set target

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.

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



\*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 2013 v target: Result below target due to ongoing reduction in water consumption.

Result 2013 v result 2012: Residential water consumption was relatively static in 2012-2013 (3.83GL) as compared to 2011-2012 (3.81GL).

### Standard utilised to set target

Target set below historical long-term average.

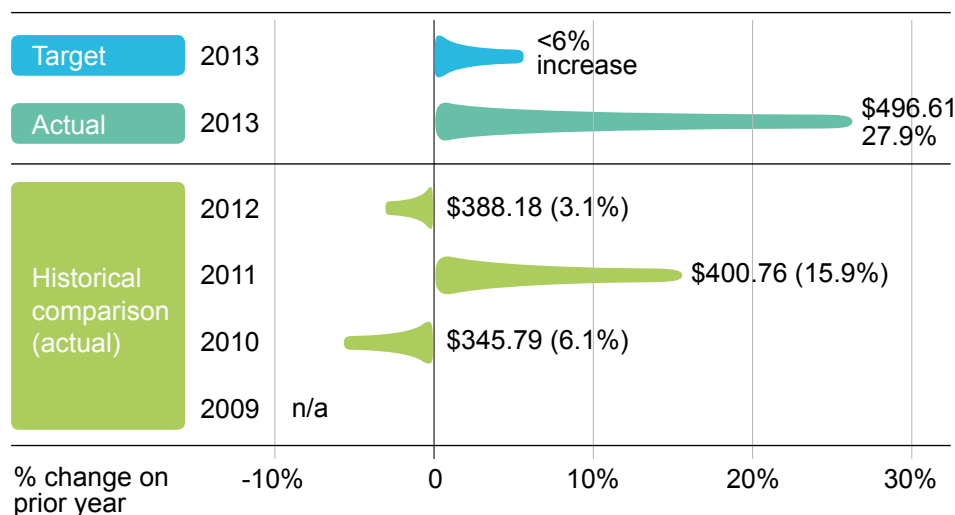
### Relevance of indicator to the Agency Level Desired Outcome

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



# Key Performance Indicators

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



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.

\*Note: in 2013 Aqwest amended its Capitalisation Policy to align with Treasurer's Instruction TI1104, lifting the capitalisation threshold from \$100 to \$5,000. Comparative figures have been restated to account for this effect.

### Explanation of variance

Result 2013 v target: The total cost of Aqwest's operations for the 12 months under review was \$11.238 million. The \$ per connected property increase was significantly above target 27.9 per cent against a target of below 6 per cent. This increase is attributable to reservoir repairs, a large increase in electricity costs and expenditure on private works.

Result 2013 v result 2012: Compared to \$388 in the previous financial year, the average cost per connected property has increased by \$108. Again, this increase is attributable to reservoir repairs, a large increase in electricity costs and private works expenditure.

### 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.

# Financial Statements

## Certification of Financial Statements for the year ended 30 June 2013

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 for the financial year ended 30 June 2013 and the financial position as at 30 June 2013.

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  
2 September 2013



S Liaros  
Chairman  
2 September 2013



N Eastman  
Board Member  
2 September 2013

# Statement of Comprehensive Income

## for the year ended 30 June 2013

	Note	2013 \$	2012* \$
<b>INCOME</b>			
<b>Revenue</b>			
Water sales	7	8,620,399	8,402,323
Interest revenue	8	159,940	284,423
Developer contributions	9	276,880	611,514
Other revenue	10	139,914	107,156
<b>Gains</b>			
Gain on disposal of non-current assets	15	24,936	-
Impairment losses reversed	15	11,343	-
<b>Total income</b>		<b>9,233,412</b>	<b>9,405,416</b>
<b>EXPENSES</b>			
Operational expenses	11	8,056,448	6,156,175
Administration expenses	14	2,520,380	2,136,006
Loss on disposal of non-current assets	15	-	17,388
Finance Costs	16a	2,408	-
Other expenses	16	659,304	704,647
<b>Total expenses</b>		<b>11,238,540</b>	<b>9,014,216</b>
Profit/(loss) before income tax		(2,005,128)	391,200
Income tax equivalent expense	18	-	427,805
<b>(Loss) after income tax</b>		<b>(2,005,128)</b>	<b>(36,605)</b>
<b>(LOSS) FOR THE PERIOD</b>		<b>(2,005,128)</b>	<b>(36,605)</b>

	Note	2013 \$	2012* \$
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not reclassified subsequently to Profit or Loss</b>			
Changes in asset revaluation surplus	23	(7,788,517)	-
Gains/(losses) recognised directly in equity	18	194,902	-
Income tax on items of other comprehensive income	18	2,668,812	354,909
<b>Total other comprehensive income</b>		<b>(4,924,803)</b>	<b>354,909</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(6,929,931)</b>	<b>318,304</b>

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

\* Restated refer note 38 'Effect of changes in Accounting Policy'

# Statement of Financial Position as at 30 June 2013

	Note	2013 \$	2012* \$	1 July 2011* \$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	30	561,230	211,754	679,480
Other financial assets	19	1,348,000	3,953,827	3,899,806
Receivables	20	1,401,429	1,394,686	1,386,825
Inventories	21	471,826	406,024	361,082
Other current assets	22	435,217	97,173	152,859
<b>Total current assets</b>		<b>4,217,702</b>	<b>6,063,464</b>	<b>6,480,052</b>
<b>Non current assets</b>				
Property, plant and equipment	23	88,518,720	94,509,091	93,415,557
Other non-current assets	22	483,617	1,935,156	2,256,625
<b>Total non-current assets</b>		<b>89,002,337</b>	<b>96,444,247</b>	<b>95,672,182</b>
<b>TOTAL ASSETS</b>		<b>93,220,039</b>	<b>102,507,711</b>	<b>102,152,234</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	25	888,219	1,070,686	675,981
Borrowings	25	53,632	-	-
Provisions	26	530,810	451,796	445,744
<b>Total current liabilities</b>		<b>1,472,661</b>	<b>1,522,482</b>	<b>1,121,725</b>

	Note	2013 \$	2012* \$	1 July 2011* \$
<b>LIABILITIES</b>				
<b>Non current liabilities</b>				
Provisions	26	114,415	107,493	105,452
Borrowings	25	558,775	-	-
Deferred tax liabilities	27	8,520,008	11,393,625	11,759,250
<b>Total non-current liabilities</b>		<b>9,193,198</b>	<b>11,501,118</b>	<b>11,864,702</b>
<b>TOTAL LIABILITIES</b>		<b>10,665,859</b>	<b>13,023,600</b>	<b>12,986,427</b>
<b>NET ASSETS</b>		<b>82,554,181</b>	<b>89,484,112</b>	<b>89,165,807</b>
<b>EQUITY</b>				
Reserves	28	52,902,536	59,974,119	63,226,572
Retained earnings		29,651,646	29,509,993	25,939,235
<b>TOTAL EQUITY</b>		<b>82,554,181</b>	<b>89,484,112</b>	<b>89,165,807</b>

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

\* Restated refer note 38 'Effect of changes in Accounting Policy'

# Statement of Changes in Equity

## for the year ended 30 June 2013

	Note	Asset revaluation reserve	Other reserves	Retained profits	Total equity
		\$	\$	\$	\$
<b>Balance at 1 July 2011 as previously stated</b>		55,096,251	4,340,983	38,115,761	97,552,995
Effects of changes in Accounting Policy		1,072,605	-	(9,459,793)	(8,387,188)
<b>Balance at 1 July 2011 restated</b>		<b>56,168,856</b>	<b>4,340,983</b>	<b>28,655,968</b>	<b>89,165,807</b>
Total comprehensive income for the year	18	354,909	-	(36,605)	318,304
Transfers to reserves	28	-	3,128,324	(3,128,324)	-
Transfers from reserves	28	-	(4,018,953)	4,018,953	-
<b>Balance at 30 June 2012</b>		<b>56,523,765</b>	<b>3,450,354</b>	<b>29,509,993</b>	<b>89,484,112</b>
<b>Balance at 1 July 2012</b>		56,523,765	3,450,354	29,509,993	89,484,112
Total comprehensive income for the year	28	(5,119,705)	-	(1,810,226)	(6,929,931)
Transfers to reserves	28	-	2,384,363	(2,384,363)	-
Transfers from reserves	28	-	(4,336,241)	4,336,241	-
<b>Balance at 30 June 2013</b>		<b>51,404,060</b>	<b>1,498,476</b>	<b>29,651,646</b>	<b>82,554,181</b>

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 2013

	Note	2013 \$	2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of goods and services		8,588,677	8,247,421
Developer contributions		240,630	474,564
Interest received		176,103	327,301
GST receipts on sales		30,263	45,884
GST receipts from taxation authority		778,270	662,541
Other receipts		139,914	107,156
<b>Payments</b>			
Supplies and services		(8,282,074)	(5,526,525)
GST payments on purchases		(822,180)	(613,173)
<b>Net cash provided by/(used in) operating activities</b>	30	<b>849,603</b>	<b>3,725,169</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		134,620	35,535
Purchase of non-current physical assets		(3,388,590)	(3,825,161)
Purchase/(drawdown) of investments		2,605,827	(54,021)
<b>Net cash provided by/(used in) investing activities</b>		<b>(648,143)</b>	<b>(3,843,647)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		610,000	-
<b>Net cash provided by/(used in) financing activities</b>		<b>(610,000)</b>	-
<b>CASH FLOWS TO STATE GOVERNMENT</b>			
Taxation equivalents		(461,985)	(349,248)
<b>Net cash provided to State Government</b>		<b>(461,985)</b>	<b>(349,248)</b>
Net increase/(decrease) in cash and cash equivalents		349,476	(467,726)
Cash and cash equivalents at beginning of year		211,754	679,480
<b>CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD</b>	30	<b>561,230</b>	<b>211,754</b>

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 2013

## Note 1 - Australian Accounting Standards

### (a) General

The Board's financial statements for the year ended 30 June 2013 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 2013.

## 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* 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.

Note 4 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Authority's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 5 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### (c) Income

#### Revenue recognition

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

Revenue is recognised for the major business activities as follows:

#### i) Water sales

Revenue from annual supply and consumption charges is shown in the

# Notes to the Financial Statements for the year ended 30 June 2013

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.

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

## (e) Property, plant, equipment and infrastructure

### i) Capitalisation/expensing of assets

Items of property, plant and equipment and infrastructure costing \$5,000 or more 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 costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income.

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.



# Notes to the Financial Statements

## for the year ended 30 June 2013

### ii) Initial recognition and measurement

Property, plant, 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.

In the absence of market-based evidence, fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately.

Land and buildings are independently valued when an initial property index indicates that the carrying amount may differ materially from the asset's fair value at the end of the reporting period, or at least every 5 years.

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. Independent valuations are obtained at least every 5 years for infrastructure, or when an initial assessment indicates that the fair value may differ materially from the carrying amount.

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 judgement 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'.

# Notes to the Financial Statements for the year ended 30 June 2013

## 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. Depreciation on other assets is calculated using the straight line (SL) 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)
Buildings at Fair Value	1 to 100
Mains at Fair Value	1 to 86
Meters at Fair Value	1 to 8
Service Connections at Fair Value	1 to 40
Treatment Plants at Fair Value	1 to 79
Reservoirs at Fair Value	1 to 74
Bores & Pumps at Fair Value	1 to 35
Plant & Equipment at Cost	1 to 10
Motor Vehicles at Cost	1 to 9
Office Equipment at Cost	1 to 37
Tools at Cost	1 to 19

## (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, 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 25a 'Payables' and note 36 'Non cancellable operating lease revenue').

# Notes to the Financial Statements for the year ended 30 June 2013

## (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	WATC Loan
Term deposits	

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, and 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 51 days (as at 30 June 2013).

## (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) Borrowings

All loans payable are initially recognised at fair value, being the net proceeds received.

Subsequent measurement is at amortised cost using the effective interest method.

# Notes to the Financial Statements

## for the year ended 30 June 2013

### **(p) 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 25a 'Payables'.

### **(q) 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.

Annual leave that is not expected to be settled within 12 months after the end of 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 using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

# Notes to the Financial Statements for the year ended 30 June 2013

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.

#### iv) Personal leave

Personal leave entitlements for permanent employees are accumulating and partially vesting. The liability for personal leave is recognised only for this vesting component of entitlements.

#### (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 shown at note 13 '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.

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

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

#### (u) Reporting entity

The reporting entity comprises the Board.

### Note 3 – Other policies

#### (a) Assets and services received free of charge or for nominal cost

Assets or services 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 'Developer Contributions'.

# Notes to the Financial Statements for the year ended 30 June 2013

## 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.

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

### (a) Voluntary changes in accounting policy

Effective from 1 July 2012 with reference to Note 2 (e)(i) and retrospective application the Board is adopting Treasurer Instructions 1101 paragraph 14. The nature of the change is to increase the capitalisation/expense asset threshold from \$100 to \$5,000. The increased threshold has allowed efficiencies in capturing assets requiring capitalisation and alignment with Treasurers Instruction 1101. The effect of the accounting policy adjustments on the current and prior periods is shown at note 38 – Effects of changes in accounting policy.

### (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 2012 that impacted on the Board. 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]

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). 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.

# Notes to the Financial Statements

## for the year ended 30 June 2013

### Operative for reporting periods beginning on/after 1 January 2015:

#### AASB 9 Financial Instruments

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

AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* amended the mandatory application date of this Standard to 1 January 2015. The Board has not yet determined the application or the potential impact of the Standard.

#### 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]

This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. AASB 2012-6 amended the mandatory application date of this Standard to 1 January 2015. The Authority has not yet determined the application or the potential impact of the Standard.

### Operative for reporting periods beginning on/after 1 January 2014:

#### AASB 13 Fair Value Measurement

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

#### AASB 119 Employee Benefits

This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements.

Actuarial gains and losses of the defined benefit plans will be recognised in other comprehensive income (currently in profit or loss). This will impact profit or loss but not total comprehensive income for the period. The effect of discounting annual leave and long service leave liabilities that were previously measured at the undiscounted amounts is not material.

### Operative for reporting periods beginning on/after 1 July 2013:

#### 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.

#### 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]

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.

# Notes to the Financial Statements

## for the year ended 30 June 2013

### **AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]**

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.

### **AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 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]**

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.

### **AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [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 comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.

### **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]**

This Standard makes amendments to other Australian Accounting standards and Interpretations as a result of issuing AASB 119 in September 2011. There is limited financial impact.

### **AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements**

This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.

### **AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, 7, 13, 140 & 141]**

This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8. There is no financial impact.

### **AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, 12, 101 & 127]**

This Standard adds to or amends the Australian Accounting Standards to provide further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general financial statement. There is no financial impact.

### **AASB 2012-11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, 2, 8, 10, 107, 128, 133, 134 & 2011-4]**

This Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). These corrections ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements. This Standard also extends the relief from Consolidation and the equity method (in the new Consolidation and Joint Arrangements Standards) to entities complying with Australian accounting Standards – Reduced Disclosure Requirements. There is no financial impact.



# Notes to the Financial Statements

## for the year ended 30 June 2013

	2013	2012
	\$	\$

### Note 7 – Water sales

Supply charges	2,669,550	2,784,655
Consumption charges	5,636,475	5,295,910
Other water charges	729,809	692,724
Less: rebates given	(415,435)	(370,966)
	<b>8,620,399</b>	<b>8,402,323</b>

### Note 8 – Interest revenue

Interest from cash and cash equivalents	35,503	26,405
Interest from receivables	16,217	15,946
Interest from other financial assets	108,220	242,072
	<b>159,940</b>	<b>284,423</b>

### Note 9 – Developer contributions

Contributions to headworks	212,845	439,401
Contributions to mains subdivisions	438	6,296
Transferred assets – non-cash	63,597	165,817
	<b>276,880</b>	<b>611,514</b>

### Note 10 – Other revenue

Lease income (a)	50,478	48,502
Other revenue	89,436	58,654
	<b>139,914</b>	<b>107,156</b>

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

	2013	2012
	\$	\$

### Note 11 – Operational expenses

#### Cost of services

Materials/Contractors	2,711,441	1,533,596
Electricity	542,072	352,318
Salaries and wages	1,069,735	998,247
Employee overheads	639,575	543,830
Other expenses	96,291	63,833
	<b>5,059,114</b>	<b>3,491,824</b>
Depreciation	2,997,334	2,664,351
	<b>8,056,448</b>	<b>6,156,175</b>

### Note 12 – Cost of water sales

Cost of water sales (a)	1,854,939	1,365,745
	<b>1,854,939</b>	<b>1,365,745</b>

(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 2013

	2013	2012
	\$	\$
<b>Note 13 – Cost of services</b>		
<b>Cost of services are allocated on a job basis as follows:</b>		
Bore maintenance and operations	54,395	33,825
Reservoir maintenance	97,829	76,312
Reservoir integrity analysis	109	72,486
Reservoir survey and inspections (a)	1,010,553	76,242
Reservoir leak repair contingency	46,375	
Treatment plant maintenance	339,917	344,956
Mains maintenance	305,171	287,343
Compliance water testing	159,691	179,244
Network analysis	76,182	17,885
Leak detection	20,546	-
Service maintenance	522,937	496,762
Groundwater analysis	17,003	21,167
Booster pump maintenance	54,622	29,857
Treatment plant operations	226,095	159,788
Chemical treatment	193,919	179,588
Grounds maintenance	44,101	41,284
Wages Operations Administration	221,078	-
Private works	349,101	413,133
Service Replacement – Minor Assets	347,563	326,712
Meter Replacement – Minor Assets	194,309	138,979
Tools – Minor Assets	8,392	1,817
Water quality improvement projects	28,458	29,395
Replace Chlorine & pH Instruments	29,875	-
Develop a Maintenance Strategy	72,150	-

	2013	2012
	\$	\$
Meter reading	-	83,215
Electricity	542,072	352,318
Other service expenses (b)	96,671	129,516
	<b>5,059,114</b>	<b>3,491,824</b>

(a) Refer Note 34(b) Explanatory statement.

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

## Note 14 – Administration expenses

Write offs	228	353
Computer maintenance and software	372,159	209,755
Insurance	70,805	92,994
Legal expenses	1,457	11,283
Salaries and wages	1,891,145	1,662,703
Superannuation	184,586	158,918
	<b>2,520,380</b>	<b>2,136,006</b>

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

### Cost of disposal of non-current assets:

Plant, equipment and vehicles	109,684	52,923
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### Proceeds from disposal of non-current assets:

Plant, equipment and vehicles	(134,620)	(35,535)
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<b>Net (gain)/loss on disposal</b>	<b>(24,936)</b>	<b>17,388</b>
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<b>Impairment losses reversed</b>	<b>(11,343)</b>	<b>-</b>
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# Notes to the Financial Statements

## for the year ended 30 June 2013

	2013	2012
	\$	\$
<b>Note 16 – Other expenses</b>		
Public relations	56,933	31,763
Audit expenses	44,325	45,585
Corporate uniforms	18,594	23,597
Valuation expenses	7,085	12,983
Administration building utilities	101,873	100,487
Postage, printing and stationary	50,658	61,824
Fringe benefits tax	27,348	20,421
Advertising and promotion	38,857	86,195
Board expenses	46,888	50,247
Administration building maintenance	77,229	62,049
Staff training	47,763	60,399
Bank charges	24,280	21,603
Office expenses	17,208	28,495
Other (a)	100,265	98,999
	<b>659,304</b>	<b>704,647</b>

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

	2013	2012
	\$	\$
<b>Note 16a – Finance costs</b>		
Interest expense	2,408	-
<b>Note 17 – Gross salaries and wages</b>		
<b>Salaries and wages by department:</b>		
Finance and administration (a)	924,932	1,002,292
Water services administration (a)	899,974	631,194
Distribution and treatment operations (b)	1,112,663	1,085,899
Board members (c)	27,500	30,453
	<b>2,965,069</b>	<b>2,749,838</b>

a) Included at note 14 'Administration expenses' – salaries and wages.

b) Included at note 11 'Operational expenses' - salaries and wages and employee overheads.

c) Included at note 16 'Other expenses' – Board expenses.

# Notes to the Financial Statements for the year ended 30 June 2013

	2013	2012*
	\$	\$

## Note 18– Taxation equivalent

### (a) Income tax expense

#### i) Current income tax:

Current income tax charge	-	469,388
Understatement/(overstatement) of prior years income tax charge	-	(30,868)

#### ii) Deferred income tax:

Relating to origination and reversal of temporary differences	-	(10,715)
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<b>Income tax expense</b>	<b>-</b>	<b>427,805</b>
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### (b) Amounts recognised directly in equity

#### i) Deferred income tax:

Fair value adjustments to property, plant and equipment	(2,668,812)	354,909
Tax losses carried forward	141,749	-
Profit and loss items recognised in equity	(53,153)	-
<b>Income tax expense reported in equity</b>	<b>2,863,714</b>	<b>354,909</b>

	2013	2012
	\$	\$

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

Profit before income tax equivalents	(2,005,128)	391,200
Tax at the statutory rate of 30% (2012: 30%)	(601,538)	117,360
Tax effects of amounts which are not deductible in calculating taxable income	5,939	7,815
Temporary differences now brought to account	435,851	(57,702)
Understatement of prior years income tax charge	-	(30,868)
Tax loss carried forward	(141,748)	-
<b>Income tax expense reported in Statement of Comprehensive Income</b>	<b>-</b>	<b>427,805</b>

\* Restated refer note 38 'Effect of changes in Accounting Policy'

# Notes to the Financial Statements for the year ended 30 June 2013

## Note 18 continued – Taxation equivalent

	Assets		Liabilities		Net	
	2013	2012*	2013	2012*	2013	2012*
<b>(d) Deferred tax</b>						
Deferred tax assets and liabilities are attributable to the following:	\$	\$	\$	\$	\$	\$
Fair value adjustments to property, plant and equipment	-	-	8,874,242	11,553,329	8,874,242	11,553,329
Current tax liability adjustment	(176,210)	(176,210)	-	-	(176,210)	(176,210)
Tax losses carried forward	(141,749)	-	-	-	(141,749)	-
Interest receivable	-	-	520	9,912	520	9,912
Deferred developer contributions	-	-	154,345	171,955	154,345	171,955
Employee entitlements	(191,140)	(165,360)	-	-	(191,140)	(165,359)
<b>Tax (assets)/liabilities</b>	<b>(509,099)</b>	<b>(341,570)</b>	<b>9,029,107</b>	<b>11,735,195</b>	<b>8,520,008</b>	<b>11,393,625</b>
Set off of tax	509,099	341,570	(509,099)	(341,570)	-	-
<b>Net tax liabilities</b>	<b>-</b>	<b>-</b>	<b>8,520,008</b>	<b>11,393,625</b>	<b>8,520,008</b>	<b>11,393,625</b>

\* Restated refer note 38 'Effect of changes in Accounting Policy'

	Balance 1 July 2012*	Recognised in income	Recognised in equity	Balance 30 June 2013
<b>Movement in temporary differences during the year:</b>	\$	\$	\$	\$
Fair value adjustments to property, plant and equipment	11,553,329	(371)	(2,668,812)	8,874,243
Current tax liability adjustment	(176,210)	-	-	(176,210)
Interest receivable	9,912	(9,392)	-	520
Tax losses carried forward	-	(141,749)	-	(141,749)
Deferred developer contributions	171,955	(17,609)	-	154,345
Employee entitlements	(165,359)	(25,781)	-	(191,140)
	<b>11,393,625</b>	<b>(194,902)</b>	<b>(2,668,812)</b>	<b>8,520,008</b>

\* Restated refer note 38 'Effect of changes in Accounting Policy'

# Notes to the Financial Statements for the year ended 30 June 2013

## Note 18 continued – Taxation equivalent

	Balance 1 July 2011*	Recognised in income	Recognised in equity	Balance 30 June 2012*
	\$	\$	\$	\$
<b>Movement in temporary differences during the year:</b>				
Fair value adjustments to property, plant and equipment	11,885,697	22,541	(354,909)	11,553,329
Current tax liability adjustment	(176,210)	-	-	(176,210)
Interest receivable	22,776	(12,864)	-	9,912
Deferred developer contributions	192,347	(20,392)	-	171,955
Employee entitlements	(165,359)	-	-	(165,359)
	<b>11,759,250</b>	<b>(35,684)</b>	<b>(354,909)</b>	<b>11,393,625</b>

\* Restated refer note 38 'Effect of changes in Accounting Policy'

# Notes to the Financial Statements

## for the year ended 30 June 2013

	2013	2012
	\$	\$
<b>Note 19 – Other financial assets</b>		
<b>Held to maturity investments:</b>		
Working account	-	500,000
Computer upgrade reserve	218,000	412,880
Asset replacement reserve	-	1,552,593
Headworks reserve	323,000	583,924
Subdivision reserve	220,000	277,130
Business development reserve	587,000	627,300
	<b>1,348,000</b>	<b>3,953,827</b>

### Note 20 – Receivables

#### Current

Trade debtors	1,087,970	1,100,906
GST receivable	32,362	13,831
Sundry debtors	265,994	233,162
Accrued interest	1,732	33,041
	<b>1,388,058</b>	<b>1,380,940</b>

#### Non current

Pensioner rate deferrals	13,371	13,746
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#### Total receivables

	<b>1,401,429</b>	<b>1,394,686</b>
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### Note 21 – Inventories

Inventories held for distribution (at cost)	471,826	406,024
	<b>471,826</b>	<b>406,024</b>

	2013	2012
	\$	\$
<b>Note 22 – Other assets</b>		
<b>Current</b>		
Prepayments	113,154	90,622
Current tax asset	322,063	6,551
	<b>435,217</b>	<b>97,173</b>
<b>Non current</b>		
Work in progress	483,617	1,935,156
	<b>596,771</b>	<b>2,032,329</b>
<b>Total other assets</b>	<b>596,771</b>	<b>2,032,329</b>

# Notes to the Financial Statements for the year ended 30 June 2013

	2013	2012	1 July 2011
	\$	\$	\$
<b>Note 23 – Property, plant and equipment</b>			
Land at fair value	5,300,000	7,370,000	7,370,000
Buildings at fair value*	5,079,720	2,717,281	2,829,925
Accumulated depreciation	(1,148,105)	(1,047,989)	(1,104,311)
	3,931,615	1,669,292	1,725,614
Mains at fair value*	76,904,257	74,668,259	49,977,690
Accumulated depreciation	(25,996,639)	(24,971,256)	-
	50,907,918	49,697,003	49,977,690
Treatment plants at fair value*	8,384,401	6,964,196	6,529,320
Accumulated depreciation	(3,689,900)	(3,344,914)	(3,080,171)
Accumulated impairment losses	-	(57,135)	(57,135)
	4,694,501	3,562,147	3,392,014
Reservoirs at fair value*	26,117,100	32,961,380	25,317,201
Accumulated depreciation	(9,586,400)	(8,929,405)	(642,613)
	16,530,700	24,031,975	24,674,588
Bores and pumps fair value*	6,615,500	6,908,060	4,606,046
Accumulated depreciation	(1,128,600)	(674,232)	(206,239)
Accumulated impairment losses	-	(49,400)	(49,400)
	5,486,900	6,184,428	4,350,407

	2013	2012	1 July 2011
	\$	\$	\$
Plant and equipment at cost*	1,798,587	1,798,587	1,578,535
Accumulated depreciation	(721,719)	(420,337)	(207,539)
	1,076,868	1,378,250	1,370,996
Motor vehicles at cost*	659,004	549,458	477,884
Accumulated depreciation	(264,198)	(168,279)	(89,184)
	394,806	381,905	388,700
Office equipment at cost+*	593,361	539,562	367,299
Accumulated depreciation	(402,979)	(312,838)	(212,284)
	190,382	226,724	155,015
Tools at cost*	22,775	22,775	21,933
Accumulated depreciation	(17,444)	(14,680)	(11,401)
	5,331	8,095	10,532
<b>Total property, plant and equipment</b>	<b>88,518,720</b>	<b>94,509,091</b>	<b>93,415,557</b>

+Includes intangible assets of \$137,596 (written down value)

\* Restated refer note 38 'Effects of changes in Accounting Policy'



# Notes to the Financial Statements for the year ended 30 June 2013

## 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
2013	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land at fair value	7,370,000	-	-	-	(2,070,000)	-	-	-	-	5,300,000
Buildings at fair value*	1,669,292	2,097,149	(1,288)	-	266,578	-	-	-	(100,116)	3,931,615
Mains at fair value	49,697,003	716,913	-	-	1,519,085	-	-	-	(1,025,383)	50,907,619
Treatment plants at fair value*	3,562,147	49,423	-	-	1,370,782	-	-	21,972	(309,823)	4,694,501
Reservoirs at fair value*	24,031,975	1,679,288	-	-	(8,523,568)	-	-	-	(656,994)	16,530,700
Bores and pumps at fair value*	6,184,428	70,177	(11,342)	-	(351,395)	-	-	9,843	(414,812)	5,486,900
Plant and equipment at cost*	1,378,250	-	-	-	-	-	-	-	(301,383)	1,076,866
Motor vehicles at cost*	381,179	213,607	(104,061)	-	-	-	-	-	(95,919)	394,806
Office equipment at cost*	226,722	58,322	(4,523)	-	-	-	-	-	(90,141)	190,381
Tools at cost*	8,095	-	-	-	-	-	-	-	(2,763)	5,332
<b>TOTALS</b>	<b>94,509,091</b>	<b>4,884,880</b>	<b>(121,214)</b>	<b>-</b>	<b>(7,788,517)</b>	<b>-</b>	<b>-</b>	<b>31,815</b>	<b>(2,997,334)</b>	<b>88,518,720</b>

\* Restated refer note 38 'Effects of changes in Accounting Policy'

# Notes to the Financial Statements for the year ended 30 June 2013

## 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	Impair- ment losses	Impair- ment losses reversed	Depreciation +	Carrying amount at end of year +
2012	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land at fair value	7,370,000	-	-	-	-	-	-	-	-	7,370,000
Buildings at fair value	1,725,614	-	-	-	-	-	-	(56,322)	-	1,669,292
Mains at fair value	49,977,690	818,021	-	-	-	-	-	(1,098,708)	-	49,697,003
Treatment plants at fair value	3,392,014	434,876	-	-	-	-	-	(264,743)	-	3,562,147
Reservoirs at fair value	24,674,588	-	-	-	-	-	-	(642,613)	-	24,031,975
Bores and pumps at fair value	4,350,407	2,040,260	-	-	-	-	-	(206,239)	-	6,184,428
Plant and equipment at cost	1,370,996	220,828	(776)	-	-	-	-	(212,798)	-	1,378,250
Motor vehicles at cost	388,700	110,637	(39,063)	-	-	-	-	(79,095)	-	381,179
Office equipment at cost	155,015	176,257	(3,997)	-	-	-	-	(100,554)	-	226,722
Tools at cost	10,532	852	(10)	-	-	-	-	(3,279)	-	8,095
<b>TOTALS</b>	<b>104,074,912</b>	<b>3,800,880</b>	<b>(43,846)</b>	-	-	-	-	<b>(2,664,351)</b>	-	<b>94,509,091</b>

\* Restated refer note 38 'Effects of changes in Accounting Policy'

# Notes to the Financial Statements

## for the year ended 30 June 2013

2013	2012
\$	\$

### Note 24 – Impairment of assets

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2013. The Board held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period, there were no intangible assets not yet available for use. All surplus assets at 30 June 2013 have either been classified as assets held for sale or written off.

### Note 25 – Payables & Borrowings

#### Note 25a - Payables

##### Current

Trade creditors	742,039	948,400
Accrued salaries and wages	97,358	82,958
Other accrued expenses	20,178	11,905
Income in advance	28,644	27,422
	<b>888,218</b>	<b>1,070,686</b>

2013	2012
\$	\$

### Note 25b – Borrowings

##### Current

Accrued interest	2,408	-
WATC loan	51,224	-
	<b>53,632</b>	-

##### Non current

WATC loan	558,775	-
	<b>558,775</b>	-

# Notes to the Financial Statements for the year ended 30 June 2013

	2013	2013
	\$	\$

## Note 26 - Provisions

### (a) Current

#### (i) Employee benefits provisions:

Annual leave (a)	219,912	202,947
Long service leave (b)	180,387	134,200
Rostered days off (c)	4,107	7,096
Time in lieu (c)	12,931	15,055
Personal leave (d)	78,239	60,728
	<b>495,576</b>	<b>420,026</b>

#### (ii) Other provisions:

Employment on costs (e)	35,234	31,770
<b>Total current provisions</b>	<b>530,810</b>	<b>451,796</b>

### (b) Non current

#### (i) Employee benefits provisions:

Long service leave (b)	97,882	92,698
	<b>97,882</b>	<b>92,698</b>

#### (ii) Other provisions:

Employment on costs (e)	16,533	14,795
<b>Total non-current provisions</b>	<b>114,415</b>	<b>107,493</b>

(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:

	2013	2012
	\$	\$
Within 12 months of reporting period	44,722	35,510
More than 12 months after reporting period	233,547	191,388
	<b>278,269</b>	<b>226,898</b>

(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.

# Notes to the Financial Statements for the year ended 30 June 2013

(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:

	2013	2012
	\$	\$
Within 12 months of reporting period	12,574	9,507
More than 12 months after reporting period	65,665	51,221
	<b>78,239</b>	<b>60,728</b>

(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).

## Superannuation Provision

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 cost of services (note 13).

	2013	2012*	1 July 2011*
	\$	\$	\$

## Note 27 – Deferred tax liabilities

Deferred tax liabilities	8,520,008	11,393,625	11,759,250
	<b>8,520,008</b>	<b>11,393,625</b>	<b>11,759,250</b>

\* Restated refer note 38 – Effects of changes in Accounting Policy

## Note 28 - Reserves

The Board maintains the following reserves:

### (a) Cash reserves

#### Computer upgrade reserve

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

Balance at start of period	412,880	493,229
Transfers to reserve	68,540	85,823
Transfers from reserve	(262,823)	(166,172)
Balance at end of period	<b>218,597</b>	<b>412,880</b>

#### Asset replacement reserve

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

Balance at start of period	1,552,603	2,601,635
Transfers to reserve	1,963,487	2,400,675
Transfers from reserve	(3,480,823)	(3,449,708)
Balance at end of period	<b>35,267</b>	<b>1,552,603</b>

# Notes to the Financial Statements for the year ended 30 June 2013

	2013	2012
	\$	\$
<b>Headworks reserve</b>		
<i>(to fund augmentation works to service growth requirements)</i>		
Balance at start of period	580,438	455,540
Transfers to reserve	266,807	488,161
Transfers from reserve	(498,469)	(363,261)
Balance at end of period	<b>348,776</b>	<b>580,438</b>
<b>Mains subdivision reserve</b>		
<i>(to fund subdivisional development)</i>		
Balance at start of period	277,133	270,955
Transfers to reserve	14,612	41,249
Transfers from reserve	(69,495)	(35,071)
Balance at end of period	<b>222,250</b>	<b>277,133</b>
<b>Business development reserve</b>		
<i>(to fund future business development)</i>		
Balance at start of period	627,301	519,624
Transfers to reserve	70,916	112,416
Transfers from reserve	(24,631)	(4,742)
Balance at end of period	<b>673,587</b>	<b>627,301</b>
<b>Total reserves:</b>		
Total opening balances	3,450,355	4,340,983
Total transfers to reserves	2,043,753	3,128,324
Total transfers from reserves	(3,995,663)	(4,018,953)
<b>Total cash reserves</b>	<b>1,498,477</b>	<b>3,450,354</b>

	2013	2012
	\$	\$
<b>(b) Asset revaluation reserve</b>		
Balance at 1 July 2011 as previously stated	-	55,096,251
Effects of accounting policy change	-	1,072,605
Opening Balance	56,523,765	56,168,856
Gains/(losses) from asset revaluation	(7,788,517)	-
Tax effect of revaluation (increments)/ decrements	2,668,812	354,909
Balance at end of period	<b>51,404,060</b>	<b>56,523,765</b>
<b>Total reserves</b>	<b>52,902,536</b>	<b>59,974,119</b>

# Notes to the Financial Statements for the year ended 30 June 2013

## Note 29 – Financial instruments

### (a) Financial risk management objectives and policies

Financial instruments held by the Board are cash and cash equivalents, receivables, held-to-maturity investments, payables, and WATC borrowings. The Board has limited exposure to financial risks. The Board's 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.

#### (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.

All borrowings are due to the Western Australian Treasury Corporation (WATC) and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at note 29(c), the Board is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than WATC borrowings (fixed interest rate).

# Notes to the Financial Statements for the year ended 30 June 2013

## Note 29 continued – Financial instruments

### (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:

	2013	2012
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	561,230	211,754
Receivables (a)	1,369,067	1,380,855
Held to maturity investments	1,348,000	3,953,827
	<u>3,278,297</u>	<u>5,546,436</u>
<b>Financial liabilities</b>		
Payables (b)	886,686	1,043,263
<b>WATC loan</b>	612,407	-
	<u><b>1,499,093</b></u>	<u><b>1,043,263</b></u>

(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 2013

## 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 past due (current) \$	Not past due (deferred) (b) \$	Past due but not impaired	
				Less than one year \$	One year or more \$
<b>2013</b>					
Cash and cash equivalents	561,230	-	-	-	-
Receivables (a)	1,369,067	1,215,998	13,371	125,540	14,158
Held to maturity investments	1,348,000	-	-	-	-
	<b>3,278,297</b>	<b>1,215,998</b>	<b>13,371</b>	<b>125,540</b>	<b>14,158</b>
<b>2012</b>					
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	-	-	-	-
	<b>5,546,436</b>	<b>1,216,835</b>	<b>13,746</b>	<b>74,870</b>	<b>75,404</b>

(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 2013

## 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 interest rate exposure section analyses only the carrying amounts of each item. 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. The maturity analysis section includes principal cash flows only.

	Weighted average interest rate	Carrying amount	Interest rate exposure			Maturity date				
			Variable interest rate	Non interest bearing	Fixed interest rate	Up to 3 months	3 months to 12 months	1 – 2 years	More than 2 years	
2013	%	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Financial assets</b>										
Cash and cash equivalents	2.88%	561,230	559,730	1,500	-	561,230	-	-	-	
Receivables (a)	-	1,369,067	-	1,369,067	-	1,369,067	-	-	-	
Held to maturity investments	4.79%	1,348,000	-	-	1,348,000	1,348,000	-	-	-	
		<b>3,278,297</b>	<b>559,730</b>	<b>1,370,567</b>	<b>1,348,000</b>	<b>3,278,297</b>	-	-	-	
<b>Financial liabilities</b>										
Payables (b)	-	886,686	-	886,686	-	886,686	-	-	-	
WATC loan	3.77%	612,407	-	-	612,407	15,034	38,598	53,183	505,592	
		<b>1,499,039</b>	-	<b>886,632</b>	<b>612,407</b>	<b>899,312</b>	<b>38,598</b>	<b>53,183</b>	<b>505,592</b>	

(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 2013

## 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			Maturity date			
			Variable interest rate \$	Non interest bearing \$	Fixed interest rate \$	Up to 3 months \$	3 months to 12 months \$	1 – 2 years \$	More than 2 years \$
<b>2012</b>									
<b>Financial assets</b>									
Cash and cash equivalents	4.17	211,754	210,254	1,500	-	211,754	-	-	-
Receivables (a)	-	1,380,855	-	1,380,855	-	1,380,855	-	-	-
Held to maturity investments	5.81	3,953,827	-	-	3,953,827	2,080,167	1,873,660	-	-
		<b>5,546,436</b>	<b>210,254</b>	<b>1,382,355</b>	<b>3,953,827</b>	<b>3,672,776</b>	<b>1,873,660</b>	-	-
<b>Financial liabilities</b>									
Payables (b)	-	1,043,263	-	1,043,263	-	1,043,263	-	-	-
		<b>1,043,263</b>	-	<b>1,043,263</b>	-	<b>1,043,263</b>	-	-	-

(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 2013

## 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
	\$	\$	\$	\$	\$
<b>2013</b>					
<b>Financial assets</b>					
Cash and cash equivalents	559,730	(5,597)	(5,597)	5,597	5,597
Other financial assets	1,348,000	(13,480)	(13,480)	13,480	13,480
<b>Financial liabilities</b>					
WATC Loan	612,407	(6,124)	(6,124)	6,124	6,124
<b>Total increase/(decrease)</b>		<b>(25,201)</b>	<b>(25,201)</b>	<b>25,201</b>	<b>25,201</b>
<b>2012</b>					
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
All non-interest bearing	-	-	-	-	-
<b>Total increase/(decrease)</b>		<b>(41,641)</b>	<b>(41,641)</b>	<b>41,641</b>	<b>41,641</b>

# Notes to the Financial Statements for the year ended 30 June 2013

## 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:

	2013	2012
	\$	\$
<b>Current accounts</b>		
Working account	409,003	217,609
At call deposit	-	-
Headworks reserve account	25,776	(7,620)
Computer upgrade reserve account	598	1
Subdivision reserve account	2,250	3
Asset replacement reserve account	35,266	10
Business development reserve account	86,587	1
Floats	1,750	1,750
	<b>561,230</b>	<b>211,754</b>

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

	2013	2012
	\$	\$
Profit after income tax equivalents	(2,005,128)	(11,636)
<b>Non cash items:</b>		
Depreciation	2,997,334	2,664,351
(Gain)/loss on disposal of non-current assets	(24,936)	(54,462)
Impairment losses reversed	(11,343)	-
Developer contributions	(65,597)	(165,817)
<b>(Increase)/decrease in assets:</b>		
Trade and other debtors	11,788	(83,157)
Inventories	(65,802)	(44,942)
Prepayments	(22,532)	12,887
<b>Increase/(decrease) in liabilities:</b>		
Trade creditors and accruals	(6,474)	348,230
Employee provisions	85,936	8,093
<b>Other items:</b>		
Income tax equivalents	-	380,320
Net GST receipts/(payments)	(13,647)	95,252
Change in GST receivable/payable	(31,994)	(19,956)
<b>Net cash provided by/(used in) operating activities</b>	<b>849,603</b>	<b>3,725,168</b>

# Notes to the Financial Statements for the year ended 30 June 2013

## Note 31 – Credit standby arrangements and loan facilities

### (a) Credit standby arrangements

The Board's bankers provide standby funds. 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 2013, an aggregate amount of \$1,000,000 remained unused (2012: \$1,000,000 unused).

### (b) Summary of loan facilities

	2013	2012
	\$	\$
Credit standby arrangement	1,000,000	1,000,000
	<b>1,000,000</b>	<b>1,000,000</b>

## Note 32 – Remuneration of auditor

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

	2013	2012
	\$	\$
Auditing the accounts, financial statements and key performance indicators	35,700	34,500
	<b>35,700</b>	<b>34,500</b>

## 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:

	2013	2012
nil to \$10,000	5	6
\$10,001 to \$20,000	1	1
<b>Total remuneration</b>	<b>\$30,250</b>	<b>\$33,498</b>

### (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:

	2013	2012*
\$60,001 to \$70,000		1
\$100,001 to \$110,000		1
\$120,001 to \$130,000	1	
\$170,001 to \$180,000		1
\$180,001 to \$190,000	1	
\$200,001 to \$210,000		1
\$210,001 to \$220,000	1	
<b>Total remuneration</b>	<b>\$520,454</b>	<b>\$556,801</b>

\*The 2012 Financial Year included a mid-year cessation and commencement of one of the senior officer positions

Cash remuneration received for the year	423,757	403,995
Adjustment for accruals	754	5,981
Annual, personal and long service leave accruals	26,560	45,579
Other benefits	69,383	101,247
<b>Total remuneration</b>	<b>520,454</b>	<b>556,801</b>

No senior officers are members of the Pension Scheme.

# Notes to the Financial Statements for the year ended 30 June 2013

## Note 34 – Explanatory statement

### (a) Actual to budgeted results

This statement provides details of any significant variations between estimates and actual results for the 2013 financial year. Significant variations are considered to be those greater than 10% and \$500,000.

	Actual 2013 \$	Estimate 2013 \$	Variance \$
<b>Revenue:</b>			
<b>Water sales</b>	<b>8,620,453</b>	<b>8,911,100</b>	<b>(290,647)</b>
Supply charges	2,669,550	2,688,600	(19,050)
Consumption charges	5,636,475	6,171,200	(534,725)
Other charges	729,809	453,600	276,209
Rebates given	(415,381)	(402,300)	(13,081)

Residential volumetric consumption remained static in 2012-2013, however the medium trend is consumption has been declining, with an average reduction over the last three years of 1.9%. Non-residential volumetric consumption dropped by 3.7% in 2012-13 with an average reduction over the last three years of 2.3%.

The budget for consumption charges overestimated use. This is partly the result of low growth in services and larger than expected drop in non-residential consumption.

Other charges included significant private works completed during the year. Aqwest acknowledges that the total water sales variance is not considered significant as it is within the variations thresholds.

	Actual 2013 \$	Estimate 2013 \$	Variance \$
<b>Expenses:</b>			
<b>Operational Expenses</b>	<b>8,056,448</b>	<b>6,794,700</b>	<b>1,261,748</b>
Materials and contractors	2,711,441	1,317,100	1,394,341
Electricity	542,072	499,500	42,572
Salaries and wages	1,069,735	912,200	157,535
Employee overheads	639,575	533,500	106,075
Other expenses	96,291	123,300	(27,009)
Depreciation	2,997,334	3,409,100	(411,766)

Investigative and repair work at Aqwest's water storage infrastructure assets was a significant factor in Materials and Contractors expense variance. Another factor was the decision to amend Aqwest's asset capitalisation policy to align with Treasurer's Instruction T11104. This policy amendment lifted the capitalisation threshold from \$100 to \$5,000 and resulted in the expensing of a large number of assets.

Other factors include higher than estimated private works in the areas of road works and the Infill Sewerage Program, and a significant electricity cost increase following a new contract with Aqwest's electricity provider.

# Notes to the Financial Statements for the year ended 30 June 2013

## Note 34 – Explanatory statement

### (b) Comparison of actual results

This statement provides details of any significant variations between actual revenues and expenditures for the 2013 and 2012 financial years. Significant variations are considered to be those greater than 10% and \$500,000.

	Actual 2013 \$	Actual 2012 \$	Variance \$
<b>Expenses:</b>			
<b>Operational Expenses</b>	<b>8,056,448</b>	<b>6,156,175</b>	<b>1,900,273</b>
Materials and contractors	2,711,441	1,533,596	1,177,845
Electricity	542,072	352,318	189,754
Salaries and wages	1,069,735	998,247	71,488
Employee overheads	639,575	543,830	95,745
Other expenses	96,291	63,833	32,458
Depreciation	2,997,334	2,664,351	332,983

Significant factors causing the variance in Materials and Contractors expenses from 2012 to 2013 include the investigative and repair work at Aqwest's water storage infrastructure assets and higher than previous years private works in the areas of road works and the Infill Sewerage Program.

## Note 35 – Supplementary information

### (a) Write offs

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

	2013 \$	2012 \$
Ex gratia water allowances	54,044	41,017
Property write offs	3,246	4,896
	<b>57,290</b>	<b>45,913</b>

### (b) Gifts of public property

	2013 \$	2012 \$
Gifts of public property provided by the Board*	19,648	-
	<b>19,648</b>	<b>-</b>

\*Public water drinking fountains gifted to the City of Bunbury.



# Notes to the Financial Statements for the year ended 30 June 2013

## 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:

	2013	2012
	\$	\$
Within 1 year	48,118	46,155
Later than 1 year but not later than 5 years	157,019	188,728
Later than 5 years	17,229	33,638
	<b>222,366</b>	<b>268,521</b>

## 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:

	2013	2012
	\$	\$
Within 1 year	184,003	513,189
Later than 1 year but not later than 5 years	96,574	233,289
Later than 5 years	-	-
	<b>280,577</b>	<b>746,478</b>

## 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:

	2013	2012
	\$	\$
Within 1 year	251,070	2,227,565
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	<b>251,070</b>	<b>2,227,565</b>

The capital commitments include amounts for:

Buildings (a)	-	1,709,476
Land	-	-
Office equipment	-	34,140
Treatment plants	-	181,904
Plant and equipment	-	-
Motor Vehicles	-	154,878
Reservoirs	-	147,168
Bores and pumps	-	-
Mains and service connections	251,070	-
	<b>251,070</b>	<b>2,227,565</b>

- (a) Construction of Aqwest's Water Quality Centre and Storage facility reached practical completion in April 2013.

# Notes to the Financial Statements for the year ended 30 June 2013

## Note 38 – Effect of changes in Accounting Policy

Effective from 1 July 2012 with reference to Note 2 (e)(i) and retrospective application the Board is adopting Treasurer Instructions 1101 paragraph 14. The nature of the change is to increase the capitalisation/expense asset threshold from \$100 to \$5,000.

The increased threshold has allowed efficiencies in capturing assets requiring capitalisation and alignment with Treasurers Instruction 1101.

The impact of the accounting policy change is as follows:

	<b>30.06.2012</b>	<b>01.07.2011</b>
<b>Statement of Financial Position as at:</b>	\$	\$
Property, Plant & Equipment	(11,739,968)	(11,955,274)
Deferred tax liabilities	(3,525,140)	(3,568,086)
Asset revaluation reserve	1,149,783	3,789,338
Retained earnings	(9,364,611)	(12,176,526)

	<b>30.06.2012</b>	<b>01.07.2011</b>
<b>Statement of Comprehensive Income as at:</b>	\$	\$
Cost of services	(235,309)	-
Administration expenses	20,792	-
Income tax expense	47,485	-
Income tax on other items of comprehensive income	(4,538)	-

## Note 39 – Contingent assets and contingent liabilities

As at 30 June 2013, there are no material contingent assets or liabilities to report.

## Note 40 – Events occurring after the reporting date

The Water Services Bill and the Water Services Legislation Amendment and Repeal Bill became Acts in September 2012.

Expectations are that the Acts will be proclaimed late 2013 and as a consequence the Bunbury Water Board will begin operation as a corporatised government trading enterprise under the Water Corporations Act 1995 around that time.

# Annual Estimates

## Budget Statement of Financial Position as at 30 June 2014

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

	2014
	\$
<b>REVENUE</b>	
<b>Water sales</b>	
Water consumption	6,561,400
Supply fees	3,214,800
Operating Subsidies	411,500
Less: rebates	(411,500)
	<b>9,776,200</b>
<b>Other income</b>	
Interest received	51,000
Developer contributions	367,200
All other revenue	952,050
	<b>1,370,250</b>
<b>TOTAL REVENUE</b>	<b>11,146,450</b>

### EXPENSES

#### Cost of services

Ongoing works – materials/contractors	1,352,800
Non recurrent works – materials/contractors	240,000
Other expenses	90,700
Electricity	557,500
Depreciation	3,168,200
	<b>7,021,400</b>

	2014
	\$
<b>EXPENSES continued</b>	
<b>Administration expenses</b>	
Human resources	2,712,650
Computer maintenance and software	421,100
Buildings	225,635
Insurance	119,860
Bank and financing	143,600
Customers	116,305
Compliance	176,500
Other	117,900
	<b>4,033,345</b>
<b>TOTAL EXPENSES</b>	<b>10,853,545</b>
<b>OPERATING PROFIT BEFORE INCOME TAX</b>	<b>292,905</b>

Income tax equivalent (dividend)	445,900
<b>Operating loss after income tax</b>	<b>(152,995)</b>
Add: retained profits at beginning of year	40,170,182
Add: transfers from reserves	9,398,600
Less: transfers to reserves	(2,667,205)
<b>RETAINED PROFITS AT PERIOD END</b>	<b>46,748,582</b>

# Annual Estimates

## Budget Statement of Financial Position as at 30 June 2014

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

	2014 \$		2014 \$
<b>ASSETS</b>		<b>NET ASSETS</b>	<b>104,689,582</b>
<b>Current assets</b>		<b>EQUITY</b>	
Cash and cash equivalents	211,754	Reserves	57,941,000
Other financial assets	-	Retained earnings	46,748,582
Receivables	1,505,000	<b>TOTAL EQUITY</b>	<b>104,689,582</b>
Inventories	392,000		
Other current assets	112,000		
	<b>2,220,754</b>		
<b>Non current assets</b>			
Property, plant and equipment	123,859,719		
Other non-current assets	1,207,000		
	<b>125,066,719</b>		
<b>TOTAL ASSETS</b>	<b>127,287,473</b>		
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	619,000		
Accrued Expenses	116,000		
Borrowings	4,675,891		
Current tax liabilities	(54,000)		
Provisions	484,000		
	<b>5,840,891</b>		
<b>Non current liabilities</b>			
Provisions	115,000		
Deferred tax liabilities	16,642,000		
	<b>16,757,000</b>		
<b>TOTAL LIABILITIES</b>	<b>22,597,891</b>		

# Other Financial Disclosures and Legal Requirements

## 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 2012-2013 financial year. The Memorandum of Imposing Rates was published in the Government Gazette on Friday 22 June 2012.

## Capital Works Program

Completion of several pivotal projects achieved solid performance in the Capital Works Program this year, which support Aqwest's commitment to ensure facility location, system capacity and capability are always sufficient to meet future demand.

### Glen Iris – Future Water Treatment Plant

The future water treatment plant site at Glen Iris will ultimately become our 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 was completed during 2012-2013 financial year, but due to funding limitations, the project has not progressed to its detailed design and construction phase.

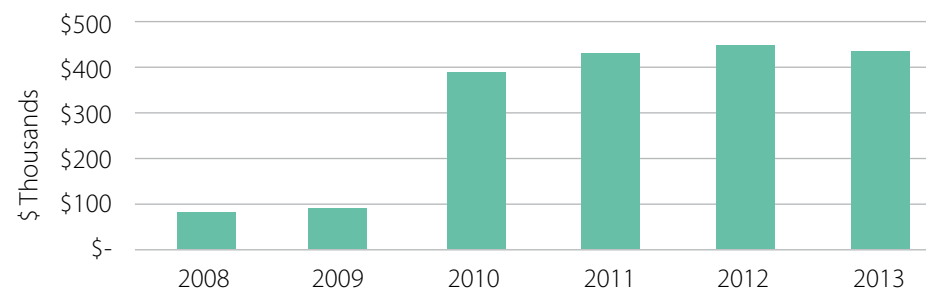
### Network Modelling

During the year, we also updated our hydraulic network model and produced a revised hydraulic planning report, which looked at several scenarios in relation to developing the water supply network. This work is fundamental in determining the forward planning requirements of the organisation.

## Asset Replacement

Again this year, our replacement program for ageing water distribution infrastructure resulted in a sustained improvement in delivery with the expenditure in this area increasing for the past three financial years. We are achieving renewals rates for water mains and valves in accordance with our long-term strategies.

**Water Mains Replacement Expenditure**



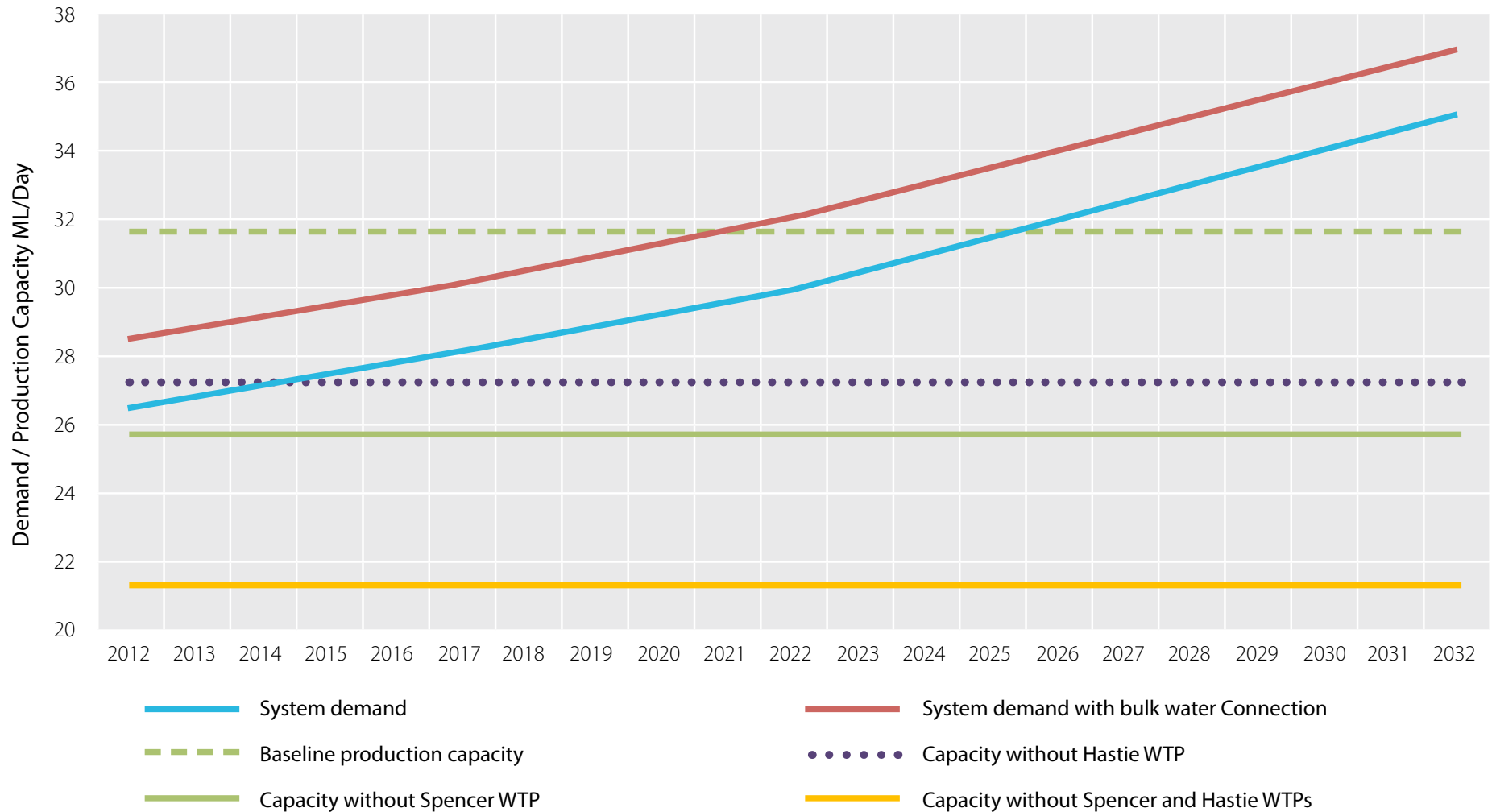
## Construction of Water Quality Centre and Critical Spares Storage Facility

The initial funding for this project was spread across two financial years to avoid debt-funding requirements. After tender and negotiation, it became clear that significant benefits would be obtained by bringing all of the expenditure and construction into the 2012-2013 financial year. The total project cost was \$1.7 million.

The project has been completed with only a minor budget variance of 1.3 per cent and was delivered ahead of schedule. An image of the Centre is on the front cover of this Annual Report.

## Future Production Capacity Scenarios

This graph shows that without the planned Glen Iris Water Treatment Plant, estimated system demand with bulk water connections will exceed production capacity in a few years.



# Other Disclosures and Legal Requirements

## Employment and Industrial Relations

The table below is a breakdown of categories of staff employment. There were no vacant positions.

Employee category	No. of staff at 30 June 2013
Permanent full-time	30
Permanent part-time	5
Fixed term full-time	4
Fixed term part-time	0
Casual	2
Total	41

Our staff are employed under the *Aqwest Enterprise Agreement 2011*. No industrial disputes were recorded during 2012-2013.

## Staffing Policies

Aqwest desires to be an employer of choice and recognises that staff are the most important asset.

The Board is committed to providing and promoting a healthy and supportive working environment and has in place a variety of conditions and benefits designed to create this.

We conduct an Early Intervention Program, which includes annual skin cancer screening, flu shots, weekly physiotherapy clinics, health and fitness initiatives, dietary advice and an Employee Assistance Program.

We have continued with annual staff surveys so staff can provide anonymous feedback on issues raised. The results are published on the staff intranet.

Our employees are highly valued, and we strive to provide policies and practices that enable them to achieve work/life balance and improve employee performance and morale.

Staff policies are reviewed annually, are available through the intranet and form part of the induction process for new employees.

Comprehensive systems, policies and procedures have been developed to ensure all staff are treated equitably and operate within a safe working environment.

We acknowledge that we need to achieve the following three high-level outcomes that relate to Equal Employment Opportunity and Diversity:

1. Work environment is free from all forms of harassment.
2. Employment practices are free from biased or discriminate unlawfully against employees or potential employees.
3. Employment programs and practices do not disadvantage potential employees from any groups.

## Workers' Compensation Claims

We comply with the requirements of the *Occupational Safety and Health Act 1984*.

During the reporting year, there were no claims and no minor incident reports submitted. There were no outstanding workers' compensation claims from a prior period.

## Other Disclosures and Legal Requirements

### Ministerial Directives

There were no Ministerial directives during the financial year ended 30 June 2013.

### Compliance with Public Sector Standards and Ethical Codes

In accordance with Section 31 of the *Public Sector Management Act 1994*, 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 reporting period.

The Staff Code of Conduct was originally implemented in September 1998 and was again reviewed and updated during the financial year. Awareness of the WA Public Sector Code of Ethics was promoted by formal training sessions. Our Human Resources Manual, Induction Manual and various policies support the application of both the Ethics and Conduct Codes.

Compliance with the 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.

Aqwest's Workforce and Diversity Plan 2012-2015 provides the principles to develop an equitable and diverse workforce and a working environment free from harassment and discrimination where all employees are treated with fairness and respect.

### Compliance with the Disability Services Act 1993

We are not required to develop a Disability Access and Inclusion Plan, but are aware of the plan's six desired outcomes.

### Equity Access

Our procedure to give members of the public a general right of access to other documents and records is as follows:

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

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

### Governance Disclosures

Aqwest has no shares in the Statutory Authority for senior officers to hold and does not have any subsidiary bodies.

In 2012-2013, no Aqwest senior officers had any interest in existing or proposed contracts (other than employment contracts).

In 2012-2013, no senior officers disclosed having received any benefits through contracts held by Aqwest.



# Disclosure and Legal Requirements

## Other Legal Requirements

### Compliance with the Electoral Act 1907

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

<b>Media advertising organisations</b>	<b>\$78,447</b>
Barb Clews and Associates	\$31,241
Express Print	\$2,940
Radiowest	\$4,956
South West Printing & Publishing	\$817
Mycre Display	\$1,780
Dynamic Print	\$10,431
Bunbury Print	\$3,214
A & L Printers	\$2,985
WA Local Government	\$17,777
West Australian Newspapers	1,605
The Local Link	\$701
<b>Market research organisations</b>	<b>\$11,567</b>
Strahan Research	\$11,567
Advertising agencies	Nil
Polling organisations	Nil
Direct mail organisations	Nil
<b>Total expenditure</b>	<b>\$90,014</b>

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

#### Record Keeping Plans

Aqwest is committed to developing good record keeping practices and meeting the legislative requirements of the *State Records Act 2000* and the State Records Commission Standard 2, Principle 6.

Records Management was included as a key auditable area in Aqwest's Strategic Internal Audit Plan in 2011.

The value and success of Aqwest's recordkeeping system is evaluated at least every five years. Aqwest's current Recordkeeping Plan was approved by the State Records Commission in August 2012.

Aqwest regularly monitors and reviews the value and usefulness of its electronic document records management system, TRIM. An upgrade to TRIM Version 7.3 is planned for September 2013.

#### Record Keeping Training Program

Recordkeeping training is mandatory for all staff to allow them to gain an understanding of their recordkeeping responsibilities and obligations.

As part of Aqwest's induction process, all new staff is provided with an Induction Manual that addresses staff roles and responsibilities in respect to Aqwest's Recordkeeping Plan. Inductees are also provided individual Recordkeeping training and introduction to TRIM training sessions.

TRIM training sessions for current employees is available where the requirement is identified. Recordkeeping training requirements are also reviewed annually in conjunction with the individual employee performance appraisal process.

# Disclosure and Legal Requirements

## Government Policy Requirements

### Substantive Equality

Aqwest does not have any obligations under the substantive equality framework. However, we are aware of the intent of the framework and seek to align with the goals of the policy by providing equal employment opportunities, eliminating discrimination in our services and promoting sensitivity to the different needs of people.

We are committed to ensuring our employment practices are open and transparent at all times, based on principles of merit and equity. We have an equal employment opportunity and diversity policy and the intent is publicised in all advertising processes for staff recruitment and is adhered to by all staff.

### Occupational Safety, Health and Injury Management

Aqwest provides a safe and healthy workplace and holds the following monthly staff safety meetings:

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

The Chief Executive Officer also chairs a monthly Safety Committee meeting, which has wide representation from across the organisation.

We are strongly committed to safety and health and have a comprehensive safety framework including a recently reviewed Safety Management Manual and a Safety Policy. The Manual, Policy, supporting tasks and procedures have been developed to provide and maintain a safe work environment. Effective safety management, productivity and quality are critical factors for our overall effectiveness and efficiency.

Senior management demonstrate leadership by their own actions of allocating resources at Board level, to communicating values and policies throughout the organisation, i.e. "walk the talk". The Safety Management System is designed with this in mind and is strengthened through commitment from all levels of the organisation. All employees influence safety and health matters by assisting with planning and establishing occupational safety and health controls.

We have a detailed Return to Work process and program as shown in Section 8 of the Safety Management Manual and comply with the injury management requirements of the *Workers' Compensation and Injury Management Act 1981*.

Numerous WorkSafe Plan audits have been completed in the last five years, the most recent in 2013. We are proud to have achieved a Platinum Certificate of Achievement under the WorkSafe Plan assessment, which rates occupational safety and health management systems.

Indicator	Target	Results 2012-2013	Results 2010-2011
Number of fatalities	Zero (0)	Zero (0)	Zero (0)
Lost time injury/ disease (LTI/D) incidence rate	Zero (0) or 10% reduction on the previous year	Zero (0)	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:	Actual percentage result to be reported		
(i) 13 weeks and		(i) 100%	(i) 100%
(ii) 26 weeks		(ii) 100%	(ii) 100%
Percentage of managers and supervisors trained in occ. safety, health and injury management responsibilities	Greater than or equal to 50%	87.56%	43.00%

# Disclosure and Legal Requirements

## Other Disclosures

### Customer Complaints

Aqwest is committed to providing effective mechanisms to resolve all complaints. It is intended to enhance customer satisfaction by creating a customer-focused environment that is open to feedback, resolving any complaints received and enhancing our ability to improve our product and customer service.

Our Water Services Operating Licence requires us to have in place a properly resourced process to effectively receive, record and (where possible) resolve customer complaints within 15 business days.

Also, the Public Sector Commissioner's Circular #2009-27 requires us to have in place a complaints management system that conforms to the principles of the Australian Standard on Complaints Handling (AS ISO 10002).

The Board has set Management Performance Indicators (MPIs) for complaints as follows: (per 1000 properties)

Water quality complaints	< 4 per annum
Water service complaints	< 4 per annum
Billing and account complaints	<2 per annum

These MPIs are reported in the Annual Report and will be monitored via reporting cumulative data to the monthly Board meeting.

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.

We have a Complaints Handling Manual and Customer Complaints Policy to promptly address and resolve customer complaints to their satisfaction. The policy is reviewed annually.

The Policy requires staff to be trained to deal with customer complaints and be authorised, or have ready access to officers who are authorised, to make the necessary decisions to settle customer complaints or disputes. It also requires statistics to be kept on customer complaints.

Complaint statistics for the period 1 July 2012 to 30 June 2013 were as follows:

Category	No.
Water quality	135
Pressure or flow	92
Accounts	11
Other	6
Total	244

Complaint Resolution	No.
Resolved by routine business practices	244
Unresolved	0
Total	244

Written Complaints	No.
Total number of written complaints	11
Number of written complaints resolved in 15 days	11
Number of written complaints resolved in more than 15 days	0
Number of complaints outstanding at 30 June 2013	1

# Disclosure and Legal Requirements

## Other Disclosures

### Public Interest Disclosures

Aqwest's Code of Conduct outlines how we comply with the Public Interest Disclosure Act 2003. The Code is available on our staff intranet and is provided to all new employees as part of the induction process. Public interest disclosure training is provided to all staff annually.

We currently have one PID Officer.

### 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 we need to be able to capitalise on those opportunities to achieve our objectives.

A comprehensive understanding of the risk that we are exposed to helps ensure effective planning and allocation of resources, and encourages a proactive management culture, with flow on benefits for every aspect of our operations.

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.

Fundamental aspects of the policy include:

- Striving to achieve best practice in Risk Management
- Risk Management is part of every job
- A Committee that includes the Executive and two Board Members manages Risk Management.

### Risk Management Officer

A Risk Management Officer has been appointed and the role is currently part of the Project Management Officer's responsibilities. This person administers the policy and procedures and takes steps to encourage best practice.

The RiskBase software hosted by RiskCover is the foundation of our risk register. All risks are reviewed regularly and when new risks are identified, they are added to RiskBase. The review of risk management documentation and risks is a continuous ongoing process.

### Risk Management and Audit Program

During the reporting period, Aqwest was in the first year of its Strategic Internal Audit Plan for 2012-2013/2014-2015, which is being conducted by Stantons International.

Our Risk Register has been adopted as the source for selecting the audit areas. The following table summaries the audit activity undertaken during our 2012-2013 audit program.

Auditable Area
Contract Administration, Management and Project Management
IT Security, Business Continuity and Disaster Recovery
Policies and Procedure Maintenance

The following internal audits are planned for 2014-2015:

- General Finance Controls
- Risk Management
- Asset Management.

# Appendices

## Appendix 1: Other Legislation Affecting the Agency

- Competition and Consumer Act 2010
- Copyright Act 1968 (Commonwealth)
- Corruption and Crime Commission Act 2003
- Criminal Code Act Compilation Act 1913
- Disability Services Act 1993
- Electoral Act 1907
- Electronic Transactions Act 2003
- Equal Opportunity Act 1984
- Evidence Act 1906
- Financial Management Act 2006
- Freedom of Information Act 1992
- Industrial Relations Act 1979
- Interpretation Act 1984
- Minimum Conditions of Employment Act 1993
- Occupational Safety and Health Act 1984
- Public Interest Disclosure Act 2003
- Public Sector Management Act 1994
- Salaries and Allowances Act 1975
- State Records Acts 2000
- State Records (Consequential Provisions) Act 2000
- State Supply Commission Act 1991
- Statutory Corporations (Liability of Directors) Act 1996
- Workers' Compensation and Injury Management Act 1981



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