



Annual Report 2014

Contents

Overview

Statement of Compliance	1
Message from the Chairman and Acting Chief Executive Officer	2

Corporate Snapshot

Our Purpose, Our Vision, Our Values, Our Guiding Principles	4
Operational Chart	5
Operational Structure - Our Board	6
Our Highlights	7
Financial Summary	8

Operational Report

Community	9
Communications	10
Water Efficiency	10
Occupational Safety, Health and Injury Management	11
Our People	12
Our Culture	13
Asset Management – Planning for the Future	14
Customer Complaints	15

Corporate Governance

Corporate Governance Report	16
Directors' Report	20
Key Performance Indicators	23
Management Performance Indicators	26
Disclosures and Legal Compliance	27

Financial Report

Certification of Financial Statement	29
Auditor General's Report	30
Statement of Comprehensive Income	32
Statement of Financial Position	33
Statement of Changes in Equity	34
Statement of Cash Flows	35
Notes to the Financial Statements	36



Statement of Compliance

for the year ended 30 June 2014

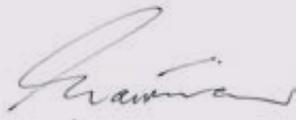
Hon Mia Davies MLA
Minister for Water; Forestry

In accordance with Section 63 of the *Financial Management Act 2006*, we have pleasure in submitting for your information and presentation to Parliament, the Annual Report of Bunbury Water Corporation for the financial year ended 30 June 2014.

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



J Jones
Chairman - Bunbury Water Corporation
29 August 2014



N Eastman
Director - Bunbury Water Corporation
29 August 2014

Message from the Chairman and Acting Chief Executive Officer

Corporatisation

During the 2013-2014 financial year, Aqwest had the biggest fundamental change to its business in over 100 years.

In September 2012, the State Government passed the *Water Services Act 2012* followed by 14 months of drafting new regulations and amendments.

As a result, on Monday 18 November 2013, the Bunbury Water Board (trading as Aqwest) became the Bunbury Water Corporation (also trading as Aqwest).

For the first time, all water providers in Western Australia operated under the same set of powers and obligations. This allows us to provide a full range of water services including, bulk water supplies, waste water and recycled water. This was not possible under previous legislation.

The new Act also brought benefits for water customers and businesses. An Energy and Water Ombudsman has been introduced to adjudicate when customers seek independent resolution of complaints and disputes.

The new code of conduct was also introduced to ensure water providers meet minimum service standards in relation to billing, payment, complaints and providing services.

Due to the change in legislation, Aqwest, as a corporation, is required to pay dividends to the Treasurer.

While no dividends were payable for the 2013-2014 financial year, there is a projected dividend payment to Treasury of \$970,049 for the 2014-2015 financial year.

The Aqwest Board acknowledges the significant contribution of the Department of Water and the Minister's office in progressing this important legislative change to the WA water industry.

We also acknowledge the efforts of Chief Executive Officer Brad Bevis (long service leave) for guiding Aqwest through the corporatisation phase over many years.

Financial Performance 2013-2014

In 2012-2013, we reported financial performance that was lower than budget projections, and posted an operating loss of \$2,005,128.

This year, our financial performance was solid with the Board posting a profit before income tax of \$1,056,852.

This was a very good turnaround and due, in part, to increased water sales and pricing reforms.

We increased our pricing in line with the Economic Regulation Authority's (ERA) recommendations to ensure our business remained viable and able to provide high quality services into the future.

Despite these necessary price increases, our customers' average water bills remained the most affordable in Australia.

Customer Satisfaction

Each year we commission an annual customer survey to assess our customers' satisfaction levels with the services we provide. This research is an information base for making customer-focused decisions about Aqwest's services and enhancing service performance.

More than 9 in 10 respondents were satisfied with our services overall.

As a result of the survey, we have focused on giving our customers better information about how we plan for the future.

Safety

Safety excellence is one of Aqwest's corporate key result areas.

In July 2013, we were awarded a WorkSafe Platinum Certificate of Achievement for having fulfilled the requirements for this award under the WorkSafe plan assessment process.

Gaining this award did not mean we could reduce any of our focus and commitment to providing a safe working environment and culture.

This year we were reminded of how easily the safety of our staff could be compromised when an employee was severely injured in a serious motor vehicle incident, for which the other driver was held responsible.

In response, our motor vehicle safety policy was reviewed and driving awareness campaigns developed.

Licence Performance Audits

During September and October 2013, Price Waterhouse Coopers conducted an Operational Audit and Asset Management Review as required by our operating licence, issued by the ERA.

The audit report showed compliance ratings of five (maximum rating) for the Operational Performance

Message from the Chairman and Acting Chief Executive Officer

Audit across all 54 licence conditions, with no recommendations.

Likewise, the Asset Management Effectiveness rating across each of the 12 Asset Management Adequacy and Performance ratings was A1 (maximum rating) with no recommendations.

Maintaining an effective asset management system means our customers can be assured we have the required planning in place for water infrastructure to meet the growing needs of Bunbury and its surrounding areas.

Following the submission of the audit report, the ERA increased the period until the next audit and review from 36 months to 48 months, an outstanding result for Aqwest.

Closing

Although we have achieved very good financial and operational performance results this year, the Board is very focused on the future and continues to explore the many opportunities that have arisen from the recent changes to its governing legislation.

We would like to thank Board Directors Neville Eastman, Wayne Edgeloe, Robert Nicholson, Edwin Abdo, Hans Dopheide, the Executive team and all Aqwest staff for their continuing work efforts and dedication.

It is with pleasure that we present the 2013-2014 Aqwest Annual Report.

Judy Jones
Chairman - Bunbury Water Corporation
20 August 2014

Gary Hallsworth
Acting Chief Executive Officer
20 August 2014



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.

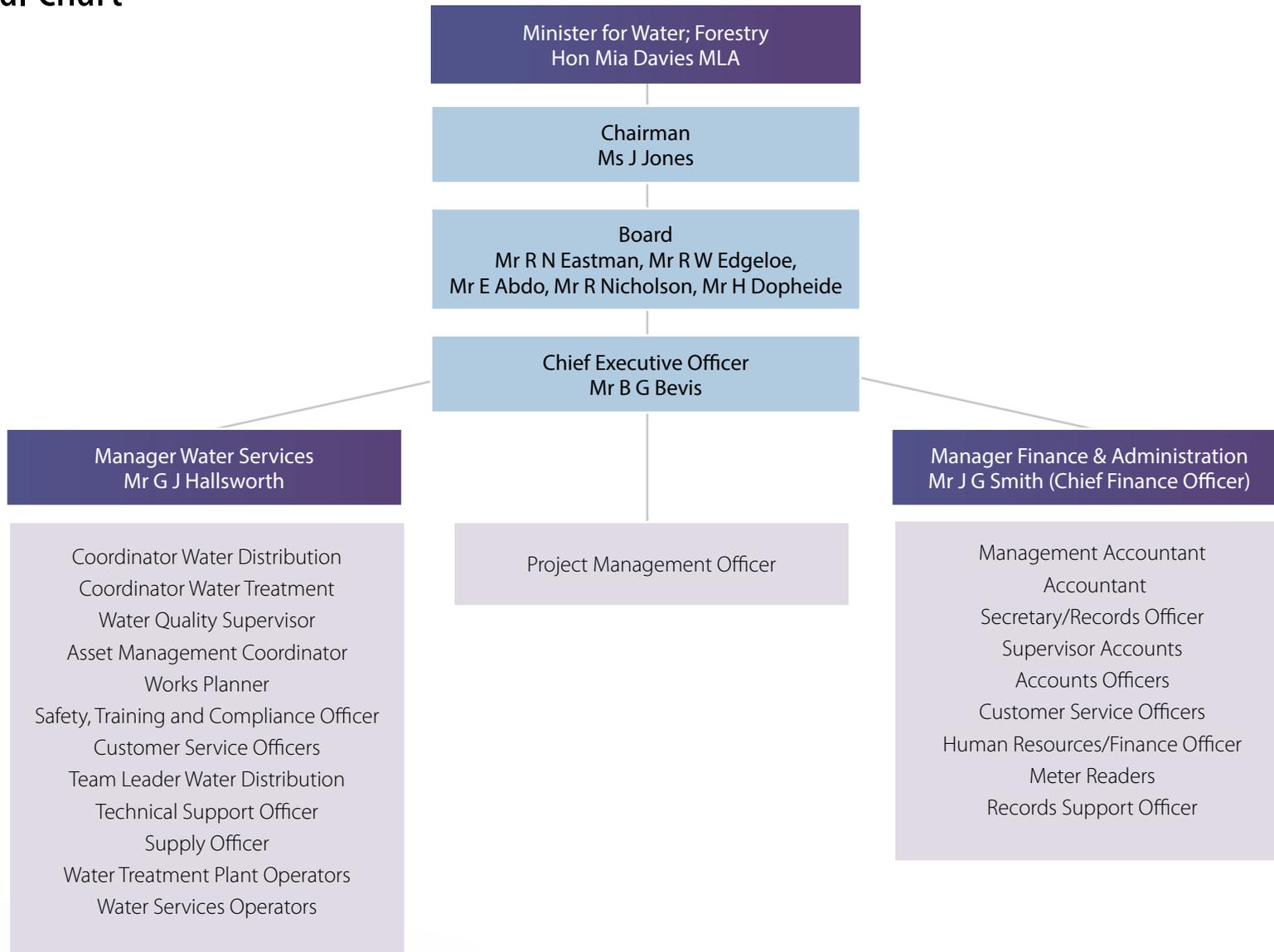
Our Guiding Principles

- 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.

Our Values

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

Operational Chart



Corporate Snapshot

Operational Structure - Our Board

Directors are appointed in accordance with the requirements of the *Water Corporations Act 1995*.



Judy Jones (Chairman)
March 2011 – 31 May 2016

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.



Wayne Edgeloe
October 2009 – 31 May 2017

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.



Robert 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.



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.



Edwin Abdo
October 2011 – 31 May 2017

Mr Abdo is a Bunbury Solicitor who has served on many committees, including the Bunbury Rotary Club, and is a former 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.



Hans Dopheide
November 2013 – 31 May 2016

Mr Dopheide is the Manager Production – Power at BHP Billiton's Worsley Alumina. He has a wealth of experience in operations, maintenance, construction and developing power plants and working with government and has a particular interest in conservation.

Our Highlights

Licence and Asset Review

Operating Licence and Asset Management Review report showed compliance rating of five across all 54 licence conditions with no recommendations.

Maximum Rating

Community Satisfaction

Overall community satisfaction with Aqwest continues to be high, providing us with the assurance that our customers perceive that we have again performed very well in 2014.

91.6 per cent

Sustainability

Average water consumption per property was 7.9 per cent better than target in 2014.

Water Efficiency

Water Quality

Number of zones where microbiological compliance was achieved.

7/7

WS Lonnie Awards 2012-2013

Aqwest awarded the Ombudsman Western Australia Award for Complaints Handling

Customer Focus

Affordability

National Performance Report for Urban Water Utilities for 2012-2013 released in March 2014.

Lowest typical residential bill in Australia

Financial Summary

Total Revenue

We achieved an operating profit before tax of \$1.06 million in 2013-2014, following an operating loss of \$2.05 million the previous year.

Total revenue grew by 20 per cent, driven by a turnaround in customer usage and higher tariffs. Despite this, our customer tariffs continue to be among the lowest in Australia.

Total expenditure decreased significantly by 11 per cent to \$10 million in part due to the high costs incurred in 2012/2013 relating to investigative and repair work of our water storage assets.

We also had a continuing focus on cost management to achieve the additional efficiency dividends requested by the State Government.

Returns to the State

We are required by the Australian Tax Office to lodge an income tax return and pay tax equivalents to the State Government. In total, we will pay \$0.69 million in tax in 2013-2014.

We will begin receiving an operating subsidy payment from Government to provide non-profitable services from 1 July 2014. We will pay an after tax dividend of 65 per cent to Government for the Financial Year ended 30 June 2015.

Investing in infrastructure

Our capital investment program benefits the community and the local industry partners who assist us in our construction, maintenance and operations works. We were able to deliver a \$3 million capital investment program for 2013-2014.

Debt and borrowings

The capital investment program over recent years has mainly been funded from capital reserves. This means our net debt levels have remained very low. There were no additional borrowings in 2013-2014.

Supporting the Region

We have more than 40 employees living and working in regional WA, providing water services to our customers. In 2013-2014, our asset value was in excess of \$89 million.

Operational Report

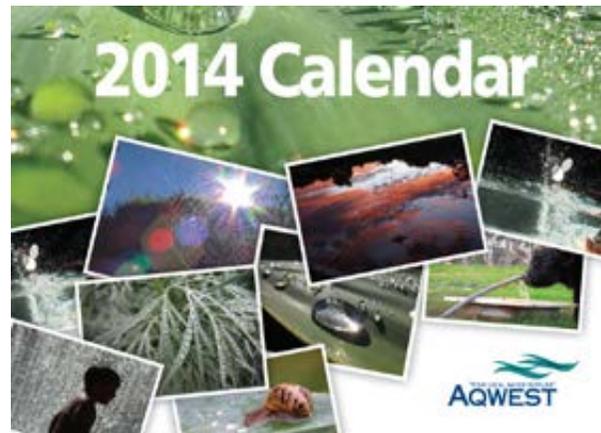
Community

National Water Week (20-26 October)

As part of National Water Week, we held a competition to win a water efficient front-loading washing machine, which was on display in our foyer for seven weeks before the draw. Chairman Judy Jones drew the winning entry and a local resident won the machine.

**Photographic Competition**

Each year we hold a photographic competition for juniors aged from under 12 years up to 17 years and its success continues to grow. This year there were 259 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.

**School Visits**

During the year, our Public Relations Consultant attended Newton More Senior High School to present the Waterwise School Certificate and Plaque. Attending schools is part of our ongoing education program.

Rehydration Station

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

Seniors Expo
 Newton Moore Senior High School – Sports Carnival
 Truck Pull Festival
 Bunbury Runners Club – Fun Run
 Australia Day Celebrations
 Cancer Council – Relay for Life
 City of Bunbury – Surf Life Saving – Fun Run
 Bunbury Triathlon Club – State Triathlon

**Financial Hardship Policy**

In November 2013, the Water Services Code of Conduct came into effect. This code requires Aqwest to develop a Financial Hardship Policy to meet the ERA guidelines.

The ERA approved our policy in March 2014.

Operational Report

Communications

This year, we included our On Tap newsletter in customers' accounts notices to ensure no important information was missed.

The newsletter covered the opening of our new Water Quality Centre by Hon Terry Redman, former Minister for Training and Workforce Development; Water; Forestry.

Other topics included, winner of the washing machine give away, winning another WorkSafe safety award, and the watering roster.

Our winter edition again focused on increased residential water charges, damage to water meters, and winning the WA Lonnie Awards Ombudsman Western Australia Award for Complaints Handling.

Other stories covered were our new Financial Hardship Policy, waterwise tips and asking customers if they would like to receive their accounts by email.

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

Water Efficiency

During the year, we continued our customer education campaign about water efficiency and provided water saving tips in our newsletters.

Our education program also captures younger consumers. We visited schools and provided an Education Booklet that details Aqwest's infrastructure, the aquifer where we extract the water and how it 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 where they can sign up to be water detectives and keep a check on householder water consumption. Water games and water trivia stretch their minds about ways to conserve water.

Although water consumption per household remained steady at under 260 kL for a few years, in this reporting period the average consumption increased to 267 kL per household. This was due in part to lower than average rainfall and an extended dry summer.

We continue to reinforce our commitment to a customer education program, as this is a key factor to ensure long-term sustainability.



Operational Report

Occupational Safety, Health and Injury Management

We are committed to responsible management practices that minimise any adverse effects on safety and health. We provide safe work places and systems of work, which empower employees and contractors to address unsafe or hazardous situations and carry out their work so it does not present a risk to themselves or others.

The Chief Executive Officer chairs our monthly Safety Committee meeting which provides transparency, communication and consultation on safety and health matters with employees. Safety meetings are also held in three key areas: Water Distribution, Water Treatment and Finance and Administration. Each area is represented by a qualified and peer elected Health and Safety Representative.

Numerous WorkSafe Plan audits have been completed in the last 10 years, and we continue to provide and maintain safe working environments and systems of work through implementing our Safety Policy, Safety Management Manual and associated tasks and procedures. During 2013-2014, we were awarded a Platinum Certificate of Achievement from WorkSafe.

We have a detailed Return To Work process and program and comply with the injury management requirements of the Workers' Compensation and Injury management Act 1981.

During 2013-2014, our Return to Work process was engaged twice, with two workers' compensation claims made. Increased vigilance in risk management and hazard analysis is now our key campaign in safety and health and we are focused on preventative strategies to avoid injury and disease through improved hazard and incident analysis, corrective action plans and continued review of the Safety Management System with the intent of continual improvement.

Indicator	Target	Results 2013-2014	Results 2011-2012
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	4.89	5.71
Lost time injury severity rate	Zero (0) or 10% reduction on the previous year	46.68	Zero (0)
Percentage of injured workers returned to work within: (i) 13 weeks and (ii) 26 weeks	Actual percentage result to be reported	(i) 50% (ii) 50%	(iii) 100% (iv) 100%
Percentage of managers and supervisors trained in occ. Safety, health and injury management responsibilities	Greater than or equal to 80%	88.89%	87.56%

Operational Report

Our People

Aqwest is comprised of a Board and an Executive team; jointly they determine the policies, controls and affairs and perform the functions of providing water services in accordance with the *Water Corporations Act 1995*.

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

Aqwest aspires to be an employer of choice and recognises that our people are our most important asset.

The Board is committed to providing and promoting a healthy and supportive working environment. This is evidenced by the variety of conditions and benefits Aqwest provides that are designed to create this environment.

We conduct a comprehensive 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.

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

Our staff are employed under the Aqwest Enterprise Agreement 2014. No industrial disputes were recorded during 2013-2014.

At June 2014, we had 42 staff including full-time, part-time and casual.

During the year, one staff member completed a Masters of Integrated Water Management with the University of Queensland.



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

Operational Report

Our Culture

Staff Survey

Every year we conduct a staff attitudinal survey to monitor employee satisfaction with working at Aqwest and provide input to our Workforce and Diversity Plan. This survey has been run since 1994, although the methodology was changed in 2013.

We set a target for the average response to all statements of at least 3.5. This was achieved with a score of 3.61, slightly lower than the outcome in 2013 of 3.72.

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 among staff, we ensured that communication was open and staff had the opportunity to offer suggestions to increase our performance.

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 WorkSafe Platinum Certificate of Achievement for having fulfilled the requirements of this award under the WorkSafe plan assessment process. This is the highest level of award for workplace safety.

We received the WA Lonnie Awards Ombudsman Western Australia Award for Complaints Handling. The Institute of Public Administration Australia (WA) presents these awards.

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.

Operational Report

Asset Management – Planning for the Future

Operating Licence and Asset Management Review

During late 2013, Price Waterhouse Coopers conducted an operating licence audit and asset management review. The audit period was 1 October 2010 to 30 September 2013.

In the operating licence audit, we received the maximum possible compliance ratings of five across all 54 licence conditions with no recommendations. Likewise, we received maximum A1 Effectiveness ratings across each of the 12 Asset Management Adequacy and Performance categories with no recommendations.

The operating licence requires audits every 24 months but we have been granted extensions to 36 months for the past two audits. Following excellent audit results, our audit review period has been extended to 48 months.

The results of the report reflect the outstanding efforts and commitment of all Aqwest staff towards asset management.

Capital Works Program

Several key capital works projects were completed and reflect our commitment to ensuring facility location; system capacity and capability are always sufficient to meet current and future demand.

Bulk water connection

We designed, procured, delivered and commissioned a critical emergency bulk water connection point between the Aqwest and Water Corporation distribution networks. This vital piece of business continuity infrastructure has the capability to supply from network to network in both directions and deliver 2 million litres per day of bulk water transfer to the Dalyellup water treatment plant. The emergency bulk water connection provides the rapidly developing housing precinct in Dalyellup with security of supply and increases the water supply redundancy for both Aqwest and Water Corporation. The project was co-funded by both agencies.

Tech Reservoir Refurbishment – Liner Removal, Grouting and Joint Repair Trials

We completed the first of a multi-stage project to refurbish the Tech School Reservoir. Stage one was a trial of grouting and joint repair techniques, which will ultimately see the complete removal of the high-density polyethylene (HDPE) liner, injection grouting of the foundations and reconstruction of the concrete joints for the entire structure. The trial has been deemed a success by the project team with repairs considered effective.

The Tech Reservoir is our largest potable water storage with a maximum capacity of 76 million litres, more than three days supply for Bunbury.

Mains and valve replacement

Water mains and valve replacement continue to be a strategic asset priority. Expenditure on these programs is directly commensurate with risk reduction and improved sustainability within the distribution network. We continue to achieve renewal rates for water mains and valves that meet our long-term capability strategies.



Operational Report

Customer Complaints

Aqwest is committed to providing effective mechanisms to resolve all complaints. We strive 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 Water Services Code of Conduct 2013 requires us to have in place a complaints management procedures that conforms to the principles of the Australian Standard on Complaints Handling (AS ISO 10002-2006).

The Energy and Water Ombudsman is now responsible for investigating and resolving complaints concerning the services we provide.

The Board set the following Management Performance Indicators for complaints in 2013-2014 as follows: (per 1000 properties)

Water quality complaints	< 10 per annum
Water service complaints	< 4 per annum
Billing and account complaints	<2 per annum

These management performance indicators are reported in the Annual Report on page 26 and are 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 viewed 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 2013 to 30 June 2014 were as follows:

Category	No.
Water quality	2
Pressure or flow	4
Accounts	14
Other	7
Total	27

Complaint Resolution	No.
Resolved by routine business practices	27
Unresolved	0
Total	27

Written Complaints	No.
Total number of written complaints	10
Number of written complaints resolved in 15 days	10
Number of written complaints resolved in more than 15 days	0
Number of complaints outstanding at 30 June 2014	1

Corporate Governance Report

The key role of the Board of Directors is to provide the leadership and direction necessary to ensure Aqwest achieves excellence in providing services to its customers, complete regulatory and statutory compliance and operates in a responsible and ethical manner both within the spirit of any relevant legislation and within the community it serves.

Our Board of Directors aspires to the highest level of effective corporate governance appropriate to an enterprise of Aqwest's nature and standing. The Board takes ultimate responsibility for corporate governance. Board Directors have adopted a Code of Conduct and Board Charter, which set out the principles and standards with which Directors are expected to comply.

This section of the report includes a description of our main corporate governance practices during 2013-14.

Governance framework

The Board has the legislative authority to perform the functions and determine the policies that control our activities.

The Board is responsible for our overall corporate governance and approves strategic direction and budgets and ensures legal compliance, ethical behaviour and proper risk management processes are in place and operate effectively.

Comprehensive monthly reports are provided to the Board to enable it to monitor performance.

The Board of Directors

The structure of the Board is subject to the following parameters:

- The Board must comprise at least six and not more than seven Directors
- Directors are appointed for terms of up to three years and are eligible for re-appointment
- The Governor, on the Minister's nomination, appoints the Chairman and Deputy Chairman from the non-executive Directors
- The Board should comprise Directors with a broad range of skills and experience
- Board meetings are generally held once a month.

Procedures for the appointment of Board Directors are detailed in the *Water Corporations Act 1995*.

Key activities

The Board, in consultation with management, develops strategic plans for the short and longer term.

We have a Statement of Corporate Intent (SCI) covering 12 months, and a five-year Strategic Development Plan (SDP), which is updated annually. The SCI is a public document and is in the form of an agreement with the Minister for Water. It contains an outline of our objectives and performance targets for the year.

The Board considers a wide range of information at its regular meetings, but focuses on:

- Strategy and business development
- Financial performance
- Policy
- Risk.

Changes to the Board

During the 2013-2014 year, Mr Stan Liaros vacated his position after almost 10 years of service as a Board Member. Mr Hans Dopheide was appointed for a term of three years. Ms Judy Jones was appointed as Board Chairman.

There were no other changes to the composition of the Board during the year.

Board Committees

Committees of the Board that operated during the year were:

- Audit
- Risk Management
- Business Development
- Salary Review.

Directors' Meetings

The number of Board and committee meetings of the Board held and the number of meetings attended by each Director during this reporting period, are tabled below:

Corporate Governance

Corporate Governance Report (cont.)

	Board Meetings		Audit Committee		Risk Management Committee		Business Development Committee		Salary Review Committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Number of Meetings Held	11		4		4		3		1	
Stan Liaros	3	3	2	2	1	1	-	-	-	-
Neville Eastman	11	11	4	4	-	-	-	-	1	1
Judy Jones (Chairman)	11	11	2	2	3	3	3	3	1	1
Hand Dopheide	7	7	-	-	-	-	-	-	-	-
Edwin Abdo	11	11	-	-	3	4	-	-	-	-
Rob Nicholson	9	11	-	-	-	-	3	3	-	-
Wayne Edgeloe	10	11	-	-	-	-	3	3	1	1

Corporate Governance Report (cont.)

Accountability and independence

As prescribed in the *Water Corporations Act 1995*, Directors are to act honestly, exercise due care and diligence, and disclose all material personal interest in matters involving Aqwest that are raised in Board meetings.

The Board has powers to determine the policies and control the affairs of Aqwest subject to the requirements of the *Water Corporations Act 1995*.

Ministerial approval is required for transactions that are above a prescribed amount, will amount to a major initiative or are likely to be of significant public interest.

Ministerial directions

Under section 64 (1) of the *Water Corporations Act 1995* the Minister may give directions in writing to Aqwest, generally with respect to the performance of its functions and, subject to section 65, Aqwest is to give effect to any such direction.

During the reporting period, no direction was received from the Minister.

Directors' and Senior Executives' remuneration

A full disclosure of Directors' and Senior Executives' remuneration is detailed in the Remuneration report on page 22. This is also shown in Note 17 to the Financial Statements on page 46.

Internal control

The Board of Directors is responsible for the overall internal control framework and approval of an internal control system monitored by an Audit Committee appointed by the Board. The system is based on written policy and a program of internal and external audits.

The Audit Committee manages our internal audit function. This function supports the Audit Committee and the executive group by independently and objectively reviewing the effectiveness of our internal control system.

External Auditors

In accordance with the *Water Corporations Act 1995*, we must have the financial report for a financial year audited by the Office of the Auditor General.

Risk management

We acknowledge 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 capitalise on those opportunities to achieve the organisation's objectives. A comprehensive understanding of the risk that Aqwest is exposed to will ensure effective planning and allocation of resources, and encourage a proactive management culture, with flow on benefits for every aspect of our operations.

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

Review of risk management documentation and risks is an ongoing process.

Performance monitoring and reporting

We provide this Annual Report to the Minister for Water detailing our performance and progress made to fulfil our Statement of Corporate Intent. A written annual report on compliance with performance standards specified in the operating licence is also provided to the Economic Regulation Authority.

In addition, the Board and the Executive receive monthly performance reports covering a diverse range of financial and non-financial matters.

State Records Act 2000

We are committed to maintaining good record keeping practices and meeting the legislative requirements of Section 61 of the *State Records Act 2000* and the State Records Commission Standards (Standard 2 - Principle 6).

We have a Recordkeeping Plan that was approved by the State Records Commission in August 2012. We upgraded our Recordkeeping Plan in 2014 to account for the requirements of our new legislation. Approval for the upgraded Recordkeeping Plan was still pending at June 2014.

Corporate Governance

Corporate Governance Report (cont.)

Recordkeeping Training Program

Recordkeeping training is mandatory for all staff so they gain an understanding of their responsibilities and obligations. As part of our induction process, all new staff are provided with an induction manual that addresses staff roles and responsibilities in respect to the Recordkeeping Plan. Inductees are also provided individual recordkeeping training and information sessions.

Training sessions for current employees are available if the need is identified. Recordkeeping training requirements are also reviewed annually as part of our performance appraisal process.

Public Interest Disclosure (PID) Statement

Aqwest's Code of Conduct outlines how we comply with the *Public Interest Disclosure Act 2003*. The Public Sector Commission reviewed the Code in 2013. The Code is published on our staff intranet and a copy is provided to all new staff as part of the induction process.

Public interest disclosure training is provided to all staff annually. We currently have one PID Officer. There were no public interest disclosures in this reporting period.

Freedom of information (FOI)

We met our obligations under the *Freedom of Information Act 1992*. During 2013-2014, we did not receive any FOI applications. Under Section 96 of the *Freedom of Information Act 1992*, we are required to produce an

FOI Information Statement. Its purpose is to provide a description of our procedures for giving members of the public access to documents, as well as the types of documents held by us.

Reportable expenditure

The *Electoral Act 1907* (Section 175 ZE) requires the disclosure of certain categories of expenditure. Details of the organisations contracted by Aqwest and the amounts paid for advertising, market research, polling, direct mail and media advertising are as follows:

	Amount paid
Advertising agencies	Nil
Polling organisations	Nil
Direct mail organisations	Nil
Media advertising organisations	
Barb Clews & Associates	\$33,529
Rural Press Ltd	\$2,019
WALGA	\$15,304
The Local Link	\$714
Mycr Display	\$1,045
West Australian Newspapers	\$1,296
Market research organisations	
AEC Group	\$11,974

Corporate Governance

Directors' Report

The Directors of Aqwest present their report for the 12 months ended 30 June 2014.

Ms Judy Jones (Chairman)

Board Member since March 2011
Chairman since 1 January 2012
Director since November 2013

Mr Wayne Edgeloe

Board Member since October 2009
Director since November 2013

Mr Edwin Abdo

Board Member since October 2011
Director since November 2013

Mr Neville Eastman

Board Member since July 2011
Director since November 2013

Mr Rob Nicholson

Board Member since June 2012
Director since November 2013

Mr Hans Dopheide

Board Member since November 2013
Director since November 2013

Directors' biographies are shown on page 6.

Directors' meetings and attendance are shown on page 17.

Directors' remuneration is shown on page 22.

Principal activities

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*.

On 18 November 2013, the Bunbury Water Corporation was established as a body corporate under the provisions of the *Water Corporations Act 1995*.

The principal functions of the Bunbury Water Corporation are:

- Acquire, store, treat, distribute, market and otherwise supply water for any purpose
- Undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any of these purposes.

There has been no significant change in the nature of Aqwest's activities during 2013-2014.

Operating results

We made a profit before income tax equivalent of \$1.057 million: (2013: Loss \$2.005 million). On an after-tax equivalent basis, the profit was \$0.361 million (2013: Loss \$2.005 million)

Corporate Governance

Directors' Report

Dividends

Since the end of the previous financial year, Aqwest has not paid or declared any dividends.

Dividend declared after end of year

Aqwest did not declare any dividends after the end of the financial year.

Review of Operations

Aqwest operates in a regulatory framework comprising the Economic Regulation Authority, Department of Water, Department of Health and Department of Environment Regulation. During the year, we supplied 5.69 million kilolitres of water.

Risk management

We maintained a Risk Management Committee overseen by the Board. It is our policy to achieve best practice in the management of all risks that threaten to adversely affect Aqwest, our customers, people, assets, functions, objectives, members of the public or the environment. As part of our Risk Management Framework, we maintain a comprehensive Business Continuity Plan.

Remuneration report

Key management personnel comprise the Directors of the Board and Executives who are responsible for planning, directing and controlling Aqwest's activities. The Directors' compensation is determined by the Public Sector Commission on an ad-hoc basis and is approved by the Minister.

At the Board Meeting held on Wednesday 10 August 2011, the Board endorsed the appointment of Local Government Workplace Solutions to complete a review of Executive Staff Remuneration and Employment Contract Arrangements.

Compensation consists of salary and superannuation contributions. Other than compulsory superannuation contributions and superannuation via salary sacrifice, Aqwest does not pay any other benefits to non-executive Directors.

The compensation packages for the Chief Executive Officer and Executives consist of a total reward that is a mix of salary, non-monetary benefits and superannuation contributions and this compensation is fixed. Non-monetary benefits may include access to a fully maintained motor vehicle and fringe benefits tax. Other long-term benefits refer to long service leave.

The compensation of all staff is reviewed annually. The Board, with the Minister's agreement, is responsible for the Chief Executive Officer's compensation and this is reviewed annually.

The Chief Executive Officer and the Board sets Executive compensation based on advice from independent remuneration consultants regarding compensation practices.

Directors' interests and benefits

In the 12 months to 30 June 2014, no Director received, or became entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by Directors) by reason of a contract made by Aqwest with the Director, or with a firm of which the Director is a member, or with an entity in which the Director has a substantial interest.

Indemnification of Directors and auditors

In the 12 months ended 30 June 2014, Aqwest has not indemnified against a liability, a person who is, or has been, a Director or auditor of Aqwest. During the period ended 30 June 2014, we paid insurance premiums in respect of Directors' and Officers' liability insurance for any past, present or future director, board/committee member, secretary, executive officer or employee of Aqwest.

This statement is made in accordance with a resolution of the Board.

Judy Jones
Board Chairman 29 August 2014

Neville Eastman
Board Director 29 August 2014

Corporate Governance

Directors' Report (cont.)

Executives are employed on individual employment contracts under common law.

Details of compensation provided to key management personnel are as follows:

	Salary and Fees	Non monetary benefits*	Superannuation	Total
Directors/Board Members	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
J Jones (Chairman)	9.4	-	1.0	10.4
E Abdo (Director)	2.5	-	0.3	2.8
W Edgeloe (Director)	2.5	-	0.3	2.8
N Eastman (Director)	2.5	-	0.3	2.8
H Dopheide (Director)	1.5	-	0.2	1.7
S Liaros (Board Member)	5.2	-	0.5	5.7
R Nicholson (Director)	2.5	-	0.3	2.8

	Salary and Fees	Non monetary benefits*	Superannuation	Total
Executives	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
B Bevis (Chief Executive Officer)	170.4	8	15.7	194.1
J Smith (Manager Finance & Administration)	114.8	8	11.2	134.0
G Hallsworth (Manager Water Services)	174.7	8	14.9	197.6

State of affairs

There were no significant changes during the year ended 30 June 2014 in the state of affairs of Aqwest not otherwise disclosed in this report, or the financial statements.

Events subsequent to balance date

Since 30 June 2014 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect Aqwest's operations, the results of those operations, or Aqwest's state of affairs in subsequent financial periods.

On 18 November 2013, the Bunbury Water Corporation was established as a body corporate under the provisions of the *Water Corporations Act 1995*. Due to the change in legislation, Aqwest, as a corporation, is now required to pay dividends to the Treasurer. While no dividends were payable for the 2013-2014 financial year, we are projecting a dividend payment to Treasury of 65 per cent of the net profit after tax for the 2014-2015 financial year.

Aqwest will also begin receiving operating subsidies for the period commencing 1 July 2014 for non-commercial services, which are performed at Government's direction.

Disclosures and Legal Compliance

Certification of Key Performance Indicators for the year ended 30 June 2014

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess Bunbury Water Corporation's performance and fairly represent the performance of Bunbury Water Corporation for the financial year ended 30 June 2014.



J Jones
Chairman - Bunbury Water Corporation
29 August 2014



N Eastman
Director - Bunbury Water Corporation
29 August 2014

Key Performance Indicators (KPIs)

Broad, high-level government strategic goals are supported at agency level by desired outcomes that are more specific. Aqwest supplies drinking water to achieve these desired outcomes, which ultimately contribute to meeting the higher-level government strategic goals. The 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.”

The desired outcome of our activities in support of this high-level strategic goal is:

“To provide a sustainable high quality drinking water supply”

Key Effectiveness Indicators

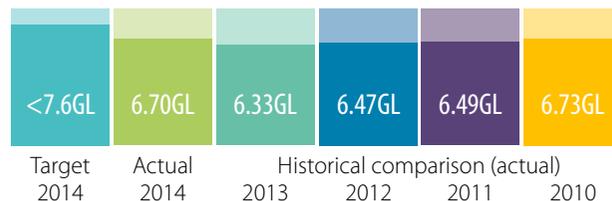
Our key effectiveness indicators are:

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

Quality: KPI WQ1: Number of zones where microbiological compliance is 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 2014 v target: Annual water production has remained at between 6 GL and 7 GL since the early 1980s.

Result 2014 v result 2013: Following several years of decreasing water production, water usage increased almost 6 per cent from 2013 following an extended dry summer period.

Standard used to set target

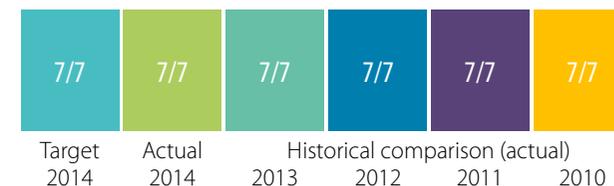
The Department of Water issued groundwater licence number 150896 in accordance with Section 24(2)(d) of Schedule 1 of the *Rights in Water and Irrigation Act 1974*.

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 was achieved



Explanation of variance

No variance to target.

Standard used 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 is the objective.

Relevance of indicator to the Agency’s Level of Desired Outcome

Compliance with bacteriological and amoebae water quality parameters are essential to provide high quality drinking water.

Corporate Governance

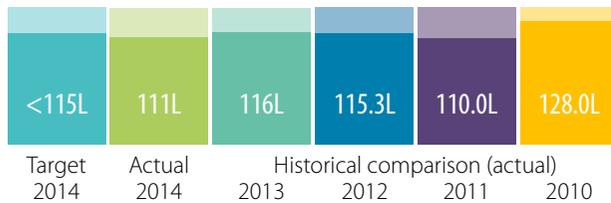
Key Performance Indicators (cont.)

Key Efficiency Indicators

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.

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



Explanation of variance

Result 2014 v target: Within target.

Result 2014 v result 2013: Improved results from various asset management projects including mains replacement, reservoir works and detailed leak detection.

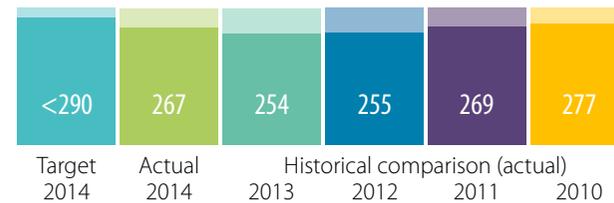
Standard used to set target

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's Level of Desired Outcome

Aqwest is similar to all water utilities and 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 2014 v target: Result below target due to ongoing community water conservation efforts.

Result 2014 v result 2013: Residential water consumption increased 5 per cent in 2013/14 following an extended dry summer period.

Standard used to set target

Target set below historical long-term average.

Relevance of indicator to the Agency's Level of Desired Outcome

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

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



*Note: In 2013 Aqwest amended its Capitalisation Policy lifting the capitalisation threshold from \$100 to \$5,000. Comparative figures have been restated to account for this effect.

Explanation of variance

Result 2014 v 2013: The total cost of Aqwest's operations for the 12 months under review was \$10.002 million. The operating cost of water per connected property was a reduction of 11.7 per cent against a target of below 6 per cent. The reduction was partly attributable to the high costs incurred in 2012-2013 relating to reservoir repairs, lower depreciation costs in 2013-2014 and Aqwest's commitment to achieving the Government's efficiency dividends.

Standard used to set target

Long-term industry standard.

Relevance of indicator to the Agency's Level of Desired Outcome

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

Corporate Governance

Management Performance Indicators (MPIs)

Aqwest had 19 management performance indicators, which are not subject to audit by the Office of the Auditor General.

These indicators target our key result areas of sustainability, customer service, forward planning, human resources, regulatory performance and community engagement.

Results of these indicators are tabled below and on page 27.

PI no.	Description	Target 2014	Actual 2014	2013	2012	2011	2010
Key Result Area - Sustainability							
S5	Economic real rate of return	>4.1%	5.0%	(0.67%)	(0.08%)	(0.49%)	1.27%
S6	Total net greenhouse gas emissions (net tonnes CO2 equivalent) per 1,000 properties	2% reduction per annum	6.5% increase	3.0% reduction	10.0% reduction	2.05% reduction	3.05% reduction (first year)
S7	Percent of fixed costs recouped via supply fees	100%	47%	39%	42%	45%	53%
S8	Operating cost per megalitre (ML)	<6% increase per annum	\$1,094 16% decrease	\$1,301 32.6% increase	\$981 1.8% decrease	\$1,000 21.8% increase	\$821 5.2% decrease
Key Result Area – Customer Service							
CS1	Customer satisfaction survey target met	9/9	5/9	4/9	4/9	5/9	5/9
CS2	Average frequency of an unplanned interruption (per 1,000 properties)	<250	211	204	168	143	128
CS3	Average duration of an unplanned interruption (minutes)	<60 mins	47.5 mins	56.7 mins	61.8 mins	50.3 mins	41.7 mins
CS4	Water quality complaints (per 1,000 properties)	<10	.06	7	9	7	6
CS5	Water service complaints (per 1,000 properties)	<4	.24	4.4	4.7	3.8	5.2
CS6	Billing and account complaints (per 1,000 properties)	<2	0.84	0.7	0.5	0.5	0.9

Corporate Governance

Management Performance Indicators

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

PI no.	Description	Target 2014	Actual 2014	2013	2012	2011	2010
Key result area – Forward Planning							
FP1	Debt to equity ratio	0%	0%	0%	0%	0%	0%
FP2	Properties served per kilometre of water main	>40	43.28	43.5	43.0	42.5	43.7
FP3	Water main breaks (per 100km of water main)	<20	10.37	12.2	10.2	10.2	10.7
FP4	Energy consumption (kWh/kL)	<0.45	0.48	0.44	0.48	0.50	0.48
FP5	Off peak energy use	>70%	75%	75%	78%	75%	71%
Key result area – Human Resources							
HR1	Staff attitudinal survey completed	Yes	Yes	Yes	*	*	*
HR2	Lost time injury frequency rate (LTIFR)	<4.2	31.2	32.8	16.9	0	0
HR3	Average time lost per injury	<2 days	39.9 days	4 days	18 days	0	0
Key result area – Regulatory Performance							
RP1	Compliance with Aqwest Operating Licence service and performance standards Schedule 4	5/5	5/5	4/5	3/5	5/5	5/5
Key result area – Water Quality							
WQ1	See Key Performance Indicator results						
Key result area – Community Engagement							
CE1	Refer CS1 Performance Indicator						

Financial Report



Financial Report

Certification of Financial Statement

The accompanying financial statements of the Bunbury Water Corporation have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions from the financial year ended 30 June 2014 and the financial position as at 30 June 2014.

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



J G Smith
Manager Finance and Administration
29 August 2014



J Jones
Chairman - Bunbury Water Corporation
29 August 2014



N Eastman
Director - Bunbury Water Corporation
29 August 2014

Auditor General's Report

To the Parliament of Western Australia

BUNBURY WATER CORPORATION

Report on the Financial Statements

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

The financial statements comprise the Statement of Financial Position as at 30 June 2014, 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.

Corporation's Responsibility for the Financial Statements

The Corporation 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 Corporation 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 Corporation'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 Corporation, 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 Corporation at 30 June 2014 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 Corporation during the year ended 30 June 2014.

Controls exercised by the Bunbury Water Corporation are those policies and procedures established by the Corporation 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.

Corporation's Responsibility for Controls

The Corporation 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 Corporation 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 Corporation 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 Corporation 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



Auditor General

7th Floor Albert Facey House 469 Wellington Street Perth
MAIL TO: Perth BC PO Box 8489 Perth WA 6849
TEL: 08 6557 7500 FAX: 08 6557 7600

Financial Report

Auditor General's Report (cont.)

accordance with legislative provisions during the year ended 30 June 2014.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Bunbury Water Corporation for the year ended 30 June 2014.

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

Corporation's Responsibility for the Key Performance Indicators

The Corporation 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 Corporation 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 Corporation'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 Corporation are relevant and appropriate to assist users to assess the Corporation's performance and fairly represent indicated performance for the year ended 30 June 2014.

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 Corporation for the year ended 30 June 2014 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation'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
3 September 2014

Financial Report

Statement of Comprehensive Income

for the year ended 30 June 2014

	Note	2014 \$	2013 \$
INCOME			
Revenue			
Water sales	7	10,537,458	8,620,399
Interest revenue	8	98,210	159,940
Developer contributions	9	269,302	276,880
Other revenue	10	154,446	139,914
Gains			
Gain on disposal of non current assets	15	-	24,936
Impairment losses reversed	15	-	11,343
Total income		11,059,416	9,233,412
EXPENSES			
Operational expenses	11	6,517,691	8,056,448
Administration expenses	14	2,712,059	2,520,380
Loss on disposal of non current assets	15	24,369	-
Finance Costs	16a	24,435	2,408
Other expenses	16	724,010	659,304
Total expenses		10,002,564	11,238,540
Profit/(loss) before income tax		1,056,852	(2,005,128)
Income tax equivalent expense	18	695,585	-
Profit/(loss) after income tax		361,273	(2,005,128)
PROFIT/(LOSS) FOR THE PERIOD		361,273	(2,005,128)

	Note	2014 \$	2013 \$
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to Profit or Loss			
Changes in asset revaluation surplus	28	-	(7,788,517)
Gains/(losses) recognised directly in equity	28	(551,126)	-
Income tax on items of other comprehensive income	28	(973,452)	2,873,617
Total other comprehensive income		(1,524,578)	(4,914,900)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,163,305)	(6,920,028)

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

Financial Report

Statement of Financial Position

as at 30 June 2014

	Note	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	30	811,794	561,230
Other financial assets	19	1,700,000	1,348,000
Receivables	20	1,489,110	1,401,429
Inventories	21	585,343	471,826
Other current assets	22	200,620	435,217
Total current assets		4,786,867	4,217,702
Non current assets			
Property, plant and equipment	23	88,647,766	88,518,720
Other non current assets	22	491,579	483,617
Total non current assets		89,139,345	89,002,337
TOTAL ASSETS		93,926,212	93,220,039
LIABILITIES			
Current liabilities			
Payables	25a	1,094,308	888,219
Borrowings	25b	55,426	53,632
Provisions	26	658,639	530,810
Total current liabilities		1,808,373	1,472,661

	Note	2014 \$	2013 \$
LIABILITIES			
Non current liabilities			
Provisions	26	59,923	114,415
Borrowings	25b	505,592	558,775
Deferred tax liabilities	27	10,161,448	8,520,008
Total non current liabilities		10,726,963	9,193,198
TOTAL LIABILITIES		12,535,336	10,665,859
NET ASSETS		81,390,876	82,554,181
EQUITY			
Reserves	28	51,944,125	53,107,341
Retained earnings		29,446,751	29,446,840
TOTAL EQUITY		81,390,876	82,554,181

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

Financial Report

Statement of Changes in Equity

for the year ended 30 June 2014

	Note	Asset revaluation reserve \$	Other reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2012		56,523,765	3,450,354	29,500,090	89,474,209
Total comprehensive income for the year	28	(4,941,900)	-	(2,005,128)	(6,920,028)
Transfers to reserves	28	-	2,384,363	(2,384,363)	-
Transfers from reserves	28	-	(4,336,241)	4,336,241	-
Balance at 30 June 2013		51,608,865	1,498,476	29,446,840	82,554,181
Balance at 1 July 2013		51,608,865	1,498,476	29,446,840	82,554,181
Total comprehensive income for the year	28	(973,452)	-	(189,853)	(1,163,305)
Transfers to reserves	28	-	2,269,394	(2,269,394)	-
Transfers from reserves	28	-	(2,459,158)	2,459,158	-
Balance at 30 June 2014		50,635,413	1,308,712	29,446,751	81,390,876

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

Financial Report

Statement of Cash Flows

for the year ended 30 June 2014

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		10,266,541	8,588,678
Developer contributions		248,602	240,630
Interest received		92,741	176,103
GST receipts on sales		12,914	30,263
GST receipts from taxation authority		624,849	778,270
Other receipts		342,562	139,914
Payments			
Supplies and services		(7,450,636)	(8,282,074)
GST payments on purchases		(664,244)	(822,180)
Net cash provided by/(used in) operating activities	30	3,473,335	849,604
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current physical assets		17,000	134,620
Purchase of non-current physical assets		(2,835,174)	(3,388,590)
Purchase/(drawdown) of investments		(352,000)	2,605,827
Net cash provided by/(used in) investing activities		(3,170,174)	(648,143)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	610,000
Repayment of borrowings		(53,632)	-
Net cash provided by/(used in) financing activities		(53,632)	610,000
CASH FLOWS TO STATE GOVERNMENT			
Taxation equivalents		1,035	(461,985)
Net cash provided to State Government		1,035	(461,985)
Net increase/(decrease) in cash and cash equivalents		250,564	349,476
Cash and cash equivalents at beginning of year		561,230	211,754
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD	30	811,794	561,230

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

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 1 - Australian Accounting Standards

(a) General

Aqwest's financial statements for the year ended 30 June 2014 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).

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

(b) Early adoption of standards

Aqwest cannot early adopt an Australian Accounting Standard or Interpretation. No Australian Accounting Standards that have been issued or amended but are not operative have been early adopted by Aqwest for the annual reporting period ended 30 June 2014.

Note 2 - Summary of significant accounting policies

(a) General statement

Aqwest – Bunbury Water Corporation is a corporation domiciled in Australia. Aqwest is a not-for-profit entity primarily involved in the provision of potable water services. Aqwest prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

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

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

(b) Basis of preparation

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

The financial report is a general purpose financial report which has been prepared in accordance with the *Water Corporation Act 1995* and Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB).

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 Aqwest'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 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 Aqwest takes control over the assets comprising the contributions. Aqwest receives capital contributions from external parties in the form of either cash or assets.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

iv) Other revenue

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

(d) Income tax

Aqwest 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, Aqwest 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,

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 Corporation expires in January 2022. However, Aqwest views 'useful life' to relate to the full useful life over which the assets will be utilised.

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.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

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 judgment by the valuer is required where the evidence does not provide a clear distinction between market type and existing use assets.

iv) Derecognition

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

v) Asset revaluation reserve

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

vi) Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. 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 and Pumps at Fair Value	1 to 35
Plant and 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 Aqwest 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.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

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.

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

(h) Leases

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

(i) Financial instruments

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

- Loans and receivables
- Held-to-maturity investments (term deposits)
- Financial liabilities measured at amortised costs.

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.

Aqwest 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 47 Days (as at 30 June 2014).

(m) Investments

Aqwest 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 Aqwest 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.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

(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. Aqwest 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. Aqwest 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 and Personal Leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period, is therefore considered to be 'other long-term employee benefits'. The annual leave liability 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 Aqwest does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

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 Aqwest 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

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore 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 Aqwest does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because Aqwest has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

iv) Superannuation

The Bunbury Water Corporation 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).

(r) 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.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

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

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

(s) Superannuation expense

Aqwest'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 Aqwest's employees have plans with the default fund.

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

(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 Bunbury Water Corporation (Aqwest). Aqwest is a corporation domiciled in Australia. The Corporation is a not-for-profit entity primarily involved in the provision of potable water services.

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 Aqwest, such resources are generally gifted mains pipeline from developers and are included at Note 9 'Developer Contributions'.

Note 4 – Judgements made by management in applying accounting policies

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

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

The Aqwest 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 Aqwest. 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, Annual Leave and Personal Leave

In calculating Aqwest's long service leave, annual leave and personal 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

There were no voluntary changes in accounting policy applied in the 2013-2014 financial year.

(b) Initial application of an Australian Accounting Standard

Aqwest has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2013 that impacted on Aqwest.

AASB 13 Fair Value Measurement. This Standard defines fair value, sets out a framework for measuring fair value and requires additional disclosures for assets and liabilities measured at fair value. 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. Aqwest assessed employee leave patterns to determine whether annual leave and personal leave is a short-term or other long-term employee benefit. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

AASB 1048 Interpretation of Standards. This Standard supersedes AASB 1048 (June 2012), enabling references to the Interpretations in all other Standards to be updated by reissuing the service Standard. There is no financial impact.

AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132].

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 2011-10 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. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132] This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There is no financial impact.

AASB 2012-5 Amendments to Australian Accounting Standards – arising from Annual Improvements 2009-11 Cycle [AASB 1, 1011 116, 132 & 134 and Int 2] This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvement process. There is no financial impact.

AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8] This Standard amends the mandatory effective date of AASB 9 Financial Instruments to 1 January 2015 (instead of 1 January 2013). Further amendments are also made to numerous consequential amendments arising from AASB 9 that will now apply from 1 January 2015. There is no financial impact.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Int 1039 The withdrawal of Int 1039 *Substantive Enactment of Major Tax Bills in Australia* has no financial impact for Aqwest during the reporting period and at balance date. Measurement of tax assets and liabilities continues to be measured in accordance with enacted or substantively enacted tax law pursuant to AASB 112.46-47.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Int 12] The Standard introduces a number of editorial alterations and amends the mandatory application date of Standards for not-for-profit entities accounting for interests in other entities. There is no financial impact.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments. Part A of this omnibus Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for periods ending on or after 20 December 2013. Other parts of this Standard become operative in later periods. There is no financial impact for Part A of the Standard.

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

Aqwest has not applied early any following Australian Accounting Standards that have been issued that may impact Aqwest. Where applicable, Aqwest plans to apply these Australian Accounting Standards from their application date.

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

AASB 9 Financial Instruments This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments.

The mandatory application date of this Standard was amended to 1 January 2018 by AASB 2014-1. Aqwest has not yet determined the application or the potential impact of the Standard.

AASB 1031 Materiality This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality not available in IFRSs and refers to guidance on materiality in other Australian pronouncements. There is no financial impact.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12]
[Modified by AASB 2010-7]

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 27]

This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. Aqwest has not yet determined the application or the potential impact of the Standard.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

Aqwest does not routinely hold financial assets and financial liabilities that it intends to settle on a net basis, therefore there is no financial impact.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets. This Standard introduces editorial and disclosure changes. There is no financial impact.

AASB 2013-9 Amendments to Australian Accounting Standards Conceptual Framework, Materiality and Financial Instruments.

This omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014 (Part B), and, defers the application of AASB 9 to 1 January 2017 (Part C). The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. Aqwest has not yet determined the application or the potential impact of AASB 9, otherwise there is no financial impact for Part B.

AASB 2014-1 Amendments to Australian Accounting Standards.

Aqwest has not yet determined the application or the potential impact of the Standard.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

	2014	2013
	\$	\$
Note 7 – Water sales		
Supply charges	3,213,121	2,669,550
Consumption charges	7,273,073	5,636,475
Other water charges	585,851	729,809
Less: rebates given	(534,587)	(415,435)
	10,537,458	8,620,399

Note 8 – Interest revenue

Interest from cash and cash equivalents	25,616	35,503
Interest from receivables	17,932	16,217
Interest from other financial assets	54,662	108,220
	98,210	159,940

Note 9 – Developer contributions

Contributions to headworks	17,682	212,845
Contributions to mains subdivisions	251,620	438
Transferred assets – non cash	-	63,597
	269,302	276,880

Note 10 – Other revenue

Lease income (a)	52,641	50,478
Other revenue	101,805	89,436
	154,446	139,914

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

	2014	2013
	\$	\$
Note 11 – Operational expenses		
Cost of services		
Materials/Contractors	1,713,741	2,825,717*
Electricity	637,656	542,072
Salaries and wages	919,272	1,100,987*
Employee overheads	497,647	494,047*
Other expenses	77,778	96,291
	3,846,094	5,059,114
Depreciation	2,671,597	2,997,334
	6,517,691	8,056,448

Note 12 – Cost of water sales

Cost of water sales (a)	1,871,760	1,854,939
	1,871,760	1,854,939

* Prior year figures updated as allocation method changed.

(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'.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

	2014	2013
	\$	\$
Note 13 – Cost of services		
Cost of services are allocated on a job basis as follows:		
Bore maintenance and operations	49,916	54,395
Reservoir maintenance	107,346	97,829
Reservoir survey and inspections (a)	50,504	1,010,553
Reservoir leak repair contingency	55,979	46,375
Treatment plant maintenance	363,163	339,917
Mains maintenance	424,445	305,171
Compliance water testing	181,914	159,691
Network analysis	-	76,182
Leak detection	17,332	20,546
Service maintenance	490,543	522,937
Groundwater analysis	15,588	17,003
Booster pump maintenance	38,016	54,622
Treatment plant operations	210,097	226,095
Chemical treatment	182,462	193,919
Grounds maintenance	50,823	44,101
Wages Operations Administration	255,964	221,078
Private works	133,340	349,101
Service Replacement – Minor Assets	227,972	347,563
Meter Replacement – Minor Assets	181,862	194,309
Tools – Minor Assets	4,885	8,392
Water quality improvement projects	43,209	28,458
Replace Chlorine and pH Instruments	-	29,875
Develop a Maintenance Strategy	16,514	72,150

	2014	2013
	\$	\$
Electricity	637,656	542,072
Other service expenses (b)	106,564	96,780
	3,846,094	5,059,114

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

(b) Other service expenses includes; Forward Planning Best Practice, test & calibrate flow meters, system quality improvement, dial before you dig and tool repairs and replacements.

Note 14 – Administration expenses

Write offs	386	228
Computer maintenance and software	312,924	372,159
Insurance	56,565	70,805
Legal expenses	25,572	1,457
Salaries and wages	2,107,676	1,891,145
Superannuation	208,936	184,586
	2,712,059	2,520,380

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

Plant, equipment and vehicles	41,369	109,684
-------------------------------	--------	---------

Proceeds from disposal of non current assets:

Plant, equipment and vehicles	(17,000)	(134,620)
-------------------------------	----------	-----------

Net (gain)/loss on disposal	24,369	(24,936)
------------------------------------	---------------	-----------------

Impairment losses reversed	-	(11,343)
----------------------------	---	----------

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

	2014	2013
	\$	\$
Note 16 – Other expenses		
Public relations	31,538	56,933
Audit expenses (a)	37,983	44,325
Corporate uniforms	12,719	18,594
Valuation expenses (b)	26,365	7,085
Administration building utilities	106,482	101,873
Postage, printing and stationary	113,754	50,658
Fringe benefits tax	20,734	27,348
Advertising and promotion (c)	31,185	38,857
Board expenses (d)	47,918	46,888
Administration building maintenance	88,800	77,229
Staff training (e)	47,589	47,763
Bank charges	28,112	24,280
Office expenses	20,544	17,208
Tax equivalent planning	1,850	-
Water efficiency measures compliance	1,819	-
Other (f)	106,618	100,265
	724,010	659,304

- a) Includes contracted strategic internal audit service and remuneration of the OAG.
b) Includes asset revaluation consultancy.
c) Includes water conservation, publicity, customer survey and general advertising.

- d) Includes board members allowances, meeting expenses and travel and accommodation for Board Members.
e) Includes conference and seminar costs and associated travel and accommodation.
f) Includes freight, records archive and storage, membership fees, business development strategy, risk management implementation, CEO employee awards and employee assistance program.

	2014	2013
	\$	\$
Note 16a – Finance costs		
Interest expense	24,435	2,408

Note 17 – Gross salaries and wages

Salaries and wages by department:

Finance and administration (a)	1,184,900	1,085,146
Water services administration (a)	857,549	739,760
Distribution and treatment operations (b)	1,147,905	1,112,663
Board Members (c)	26,100	27,500
	3,216,454	2,965,069

- 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.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

	2014	2013
	\$	\$
Note 18— Taxation equivalent		
(a) Income tax expense		
i) Current income tax:		
Current income tax charge	578,723	-
ii) Deferred income tax:		
Relating to origination and reversal of temporary differences	116,863	-
Income tax expense	695,586	-

(b) Amounts recognised directly in equity

i) Deferred income tax:		
Fair value adjustments to property, plant and equipment	1,524,578	(2,873,617)
Income tax expense reported in equity	1,524,578	(2,873,617)

	2014	2013
	\$	\$
Note 18 continued – Taxation equivalent		
(c) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax equivalents	1,056,858	(2,005,128)
Tax at the statutory rate of 30% (2013: 30%)	317,057	(601,538)
Tax effects of amounts which are not deductible in calculating taxable income	6,460	5,939
Temporary differences now brought to account	513,817	435,851
Tax loss carried forward	(141,748)	(141,748)
Income tax expense reported in Statement of Comprehensive Income	695,586	-

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
(d) Deferred tax						
Deferred tax assets and liabilities are attributable to the following:	\$	\$	\$	\$	\$	\$
Fair value adjustments to property, plant and equipment	-	-	10,416,072	8,874,242	10,416,072	8,874,242
Current tax liability adjustment	(176,210)	(176,210)	-	-	(176,210)	(176,210)
Tax losses carried forward	-	(141,749)	-	-	-	(141,749)
Interest receivable	-	-	2160	520	2,160	520
Deferred developer contributions	-	-	132,562	154,345	132,568	154,345
Employee entitlements	(213,142)	(191,140)	-	-	(213,142)	(191,140)
Tax (assets)/liabilities	(389,352)	(509,099)	10,550,800	9,029,107	10,161,448	8,520,008
Set off of tax	389,352	509,099	(389,352)	(509,099)	-	-
Net tax liabilities	-	-	10,161,448	8,520,008	10,161,448	8,520,008

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 18 continued

	Balance 1 July 2013	Recognised in income	Recognised in equity	Balance 30 June 2014
Movement in temporary differences during the year:	\$	\$	\$	\$
Fair value adjustments to property, plant and equipment	8,874,243	17,251	1,524,578	10,416,072
Current tax liability adjustment	(176,210)	-	-	(176,210)
Interest receivable	520	1,640	-	2,160
Tax losses carried forward	(141,749)	141,749	-	-
Deferred developer contributions	154,345	(21,777)	-	132,568
Employee entitlements	(191,140)	(22,001)	-	(213,142)
	8,520,008	116,862	1,524,578	10,161,448

	Balance 1 July 2012	Recognised in income	Recognised in equity	Balance 30 June 2013
Movement in temporary differences during the year:	\$	\$	\$	\$
Fair value adjustments to property, plant and equipment	11,553,329	194,531	(2,873,617)	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	(165,360)	(25,781)	-	(191,140)
	11,393,625	-	(2,873,617)	8,520,008

Note 19 – Other financial assets

Held to maturity investments:

	2014 \$	2013 \$
Cash deposit account	500,000	-
Computer upgrade reserve	220,000	218,000
Headworks reserve	159,000	323,000
Subdivision reserve	206,000	220,000
Business development reserve	615,000	587,000
	1,700,000	1,348,000

Note 20 – Receivables

Current

Trade debtors	1,381,609	1,087,970
GST receivable	25,871	32,362
Sundry debtors	61,017	265,994
Accrued interest	7,201	1,732
Pensioner rate deferrals*	13,412	13,371
Total receivables	1,489,110	1,401,429

*Deferred rates are those that are owed by a property owner but legislation allows the owner to delay payments until the property is sold.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

	2014 \$	2013 \$
Note 21 – Inventories		
Held to maturity investments:		
Inventories held for distribution (at cost)	585,343	471,826
	585,343	471,826

Note 22 – Other assets**Held to maturity investments:****Current**

Prepayments	78,673	113,154
Current tax asset	121,947	322,063
Total Current Assets	200,620	435,217

Non Current

Work in progress	491,579	483,617
Total Non Current assets	491,579	483,617

	2014 \$	2013 \$
Note 23 – Property, plant and equipment		
Land at fair value	5,311,136	5,300,000
Buildings at fair value	5,131,449	5,079,720
Accumulated depreciation	(1,267,270)	(1,148,105)
	3,864,179	3,931,615
Mains at fair value	77,744,485	76,904,257
Accumulated depreciation	(27,063,731)	(25,996,639)
	50,680,754	50,907,918
Treatment plants at fair value	8,430,542	8,384,401
Accumulated depreciation	(3,952,260)	(3,689,900)
	4,478,282	4,694,501
Reservoirs at fair value	27,459,979	26,117,100
Accumulated depreciation	(10,065,348)	(9,586,400)
	17,394,631	16,530,700
Bores and pumps fair value	6,633,166	6,615,500
Accumulated depreciation	(1,506,530)	(1,128,600)
	5,126,636	5,486,900

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 23 continued

	2014 \$	2013 \$
Plant and equipment at cost	1,827,686	1,798,587
Accumulated depreciation	(868,028)	(721,719)
	959,658	1,076,868
Motor vehicles at cost	826,722	659,004
Accumulated depreciation	(325,310)	(264,198)
	501,412	394,806
Office equipment at cost+	865,711	593,361
Accumulated depreciation	(539,371)	(402,979)
	326,340	190,382
Tools at cost	22,775	22,775
Accumulated depreciation	(18,036)	(17,444)
	4,739	5,331
Total property, plant and equipment	88,647,766	88,518,720

+Includes intangible assets of \$288,908 (written down value)
(2013 - \$137,596)

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 23 continued

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
2014	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land at fair value	5,300,000	11,136	-	-	-	-	-	-	-	5,311,136
Buildings at fair value	3,931,615	51,833	-	-	-	-	-	(119,270)		3,864,178
Mains at fair value	50,907,619	834,735	-	-	-	-	-	(1,061,598)		50,680,756
Treatment plants at fair value	4,694,501	51,212	(6,796)	-	-	-	-	(260,633)		4,478,284
Reservoirs at fair value	16,530,700	1,342,261	-	-	-	-	-	(478,330)		17,394,631
Bores and pumps at fair value	5,486,900	17,666	-	-	-	-	-	(377,930)		5,126,636
Plant and equipment at cost	1,076,866	29,099	-	-	-	-	-	(146,309)		959,656
Motor vehicles at cost	394,806	216,777	(34,573)	-	-	-	-	(75,599)		501,411
Office equipment at cost	190,381	287,293	-	-	-	-	-	(151,336)		326,338
Tools at cost	5,332	-	-	-	-	-	-	(592)		4,740
TOTALS	88,518,720	2,842,012	(41,369)	-	-	-	-	(2,671,597)		88,647,766

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 23 continued

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
TOTALS	94,509,091	4,884,880	(121,214)	-	(7,788,517)	-	-	31,815	(2,997,334)	88,518,720

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 23a – Fair Value Measurement

Note 23 a. Fair Value Measurement

Assets measured at fair value	Level 1	Level 2	Level 3	Fair Value
2014				
Land at fair value	-	2,770,000	2,541,136	5,311,136
Buildings at fair value	-	1,767,593	2,096,585	3,864,178
Mains at fair value	-	-	50,680,756	50,680,756
Treatment plants at fair value	-	-	4,478,284	4,478,284
Reservoirs at fair value	-	-	17,394,631	17,394,631
Bores and pumps at fair value	-	-	5,126,636	5,126,636
		4,537,593	82,318,028	86,855,621

There were no transfers between Levels 1, 2 or 3 during the period.

Valuation techniques to derive Level 2 fair values

Level 2 fair values of non-current assets held for sale, Land and Buildings (Office Accommodation) are derived using the market approach. Market evidence of sales prices of comparable land and buildings (office accommodation) in close proximity is used to determine price per square metre.

Non-current assets held for sale have been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 23a continued – Fair Value Measurement

Fair value measurements using significant unobservable inputs (Level 3) 2014	Land	Buildings	Mains	Treatment plants	Reservoirs	Bores and pumps
Fair Value at start of period	2,530,000	2,094,500	50,907,619	4,694,501	16,530,700	5,486,900
Additions	11,136	51,833	834,735	51,212	1,342,261	17,666
Revaluation increments/(decrements) recognised in Profit or Loss	-	-	-	-	-	-
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-	-	-	-	-
Transfers (from/(to) Level 2)	-	-	-	-	-	-
Disposals	-	-	-	(6,796)	-	-
Depreciation expense	-	(49,748)	(1,061,598)	(260,633)	(478,330)	(377,930)
Fair value at end of period	2,541,136	2,096,585	50,680,756	4,478,284	17,394,631	5,126,636
Total gains or losses for the period included in profit or loss, under 'Other Gains'	-	-	-	-	-	-
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period.	-	-	-	-	-	-

Valuation processes

There were no changes in valuation techniques during the period.

Transfers in and out of a fair value level are recognised in the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where valuations will utilise significant Level 3 inputs on a recurring basis.

Fair value for existing use specialised buildings and infrastructure 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. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

For some specialised buildings and infrastructure assets, the current replacement cost is determined by reference to the historical cost adjusted by relevant indices.

Fair value for restricted use land is based on market value, by either using market evidence of sales of comparable land that is unrestricted less restoration costs to return the site to a vacant and marketable condition (low restricted use land), or, comparison with market evidence for land with low level utility (high restricted use land).

Significant Level 3 Inputs used by Aqwest are derived and evaluated as follows:

Consumed economic benefit/obsolescence of asset

These are estimated by AON Valuation Services.

Selection of Land with restricted utility

Fair value for restricted use land is determined by comparisons with Market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by AON Valuation Services.

Information about significant unobservable inputs (Level 3) in fair value measurements

Description and fair value as at 30 June 2014 (\$000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Land (\$2,541)	Market comparison approach	Restriction of Use Discount Selection of Land with similar approximate utility.	\$20 - \$225 m ² (\$115 per m ²)	Higher value of similar land increases estimated fair value.
Buildings (\$2,097)	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset.	0.04% - 0.59% (0.06%)	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Mains (\$50,681)	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset.	0.00% - 2.78% (0.03%)	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Treatment plants (\$4,478)	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset.	0.00% - 11.11% (0.17%)	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Reservoirs (\$17,395)	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset.	0.00% - 0.25% (0.06%)	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Bores and pumps (\$5,127)	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset.	0.00% - 5% (0.23%)	Greater consumption of economic benefit or increased obsolescence lowers fair value.

Reconciliations of opening and closing balances are provided in note 23.

Basis of Valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service and Aqwest's enabling legislation.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

	2014	2013
	\$	\$

Note 24 – Impairment of assets

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2014. Aqwest 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 2014 have either been classified as assets held for sale or written-off.

Note 25 – Payables & Borrowings

Note 25a – Payables

Current

Trade creditors	950,633	742,039
Accrued salaries and wages	113,769	97,358
Other accrued expenses	-	20,178
Income in advance	29,906	28,644
	1,094,308	888,218

Note 25b – Borrowings

Current

Accrued interest	2,243	2,408
Western Australian Treasury Corporation (WATC) loan	53,183	51,224
	55,426	53,632

Non-current

Western Australian Treasury Corporation (WATC) loan	505,592	558,775
	505,592	558,775

Note 26 - Provisions

(a) Current

(i) Employee benefits provisions:

Annual leave (a)	223,239	219,912
Long service leave (b)	269,557	180,387
Rostered days off (c)	4,403	4,107
Time in lieu (c)	17,666	12,931
Personal leave (d)	99,578	78,239
	614,443	495,576

(ii) Other provisions:

Employment on costs (e)	44,196	35,234
Total current provisions	658,639	530,810

(b) Non-current

(i) Employee benefits provisions:

Long service leave (b)	52,302	97,882
------------------------	--------	--------

(ii) Other provisions:

Employment on costs (e)	7,621	16,533
Total non-current provisions	59,923	114,415

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

(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:

	2014	2013
	\$	\$
Within 12 months of reporting period	49,630	44,722
More than 12 months after reporting period	272,229	233,547
	321,859	278,269

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

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

	2014	2013
	\$	\$
Within 12 months of reporting period	15,354	12,574
More than 12 months after reporting period	84,224	65,665
	99,578	78,239

(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).

	2014	2013
	\$	\$

Note 27 – Deferred tax liabilities

Deferred tax liabilities	10,161,448	8,520,008
	10,161,448	8,520,008

Note 28 - Reserves

Aqwest maintains the following reserves:

(a) Cash reserves**Computer upgrade reserve***(to provide for future upgrades of Aqwest's information, communication and technology systems)*

Balance at start of period	218,597	412,880
Transfers to reserve	105,753	68,540
Transfers from reserve	(80,058)	(262,823)
Balance at end of period	244,292	218,597

Asset replacement reserve*(to cater for the ongoing replacement of Aqwest's capital infrastructure)*

Balance at start of period	35,267	1,552,603
Transfers to reserve	1,878,581	1,963,487
Transfers from reserve	(1,913,847)	(3,480,823)
Balance at end of period	-	35,267

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

	2014	2013
	\$	\$
Headworks reserve		
<i>(to fund augmentation works to service growth requirements)</i>		
Balance at start of period	348,776	580,438
Transfers to reserve	237,950	266,807
Transfers from reserve	(379,362)	(498,469)
Balance at end of period	207,364	348,776

Mains subdivision reserve*(to fund subdivisional development)*

Balance at start of period	222,250	277,133
Transfers to reserve	24,366	14,612
Transfers from reserve	(23,990)	(69,495)
Balance at end of period	222,626	222,250

Business development reserve*(to fund future business development)*

Balance at start of period	673,587	627,301
Transfers to reserve	22,747	70,916
Transfers from reserve	(61,903)	(24,631)
Balance at end of period	634,432	673,587

Total reserves:

Total opening balances	1,498,477	3,450,355
Total transfers to reserves	2,269,394	2,043,753
Total transfers from reserves	(2,459,158)	(3,995,663)
Total cash reserves	1,308,714	1,498,477

	2014	2013
	\$	\$
(b) Asset revaluation reserve		
Balance at start of period	51,608,865	56,523,765
Gains/(losses) from asset revaluation	-	(7,788,517)
Tax effect of revaluation (increments)/ decrements	(973,452)	2,873,617
Balance at end of period	50,635,413	51,608,865

Total reserves**51,944,125** **53,107,341****Retained Earnings**

Balance at start of period	29,446,840	29,500,090
Result for the period	361,273	(2,005,128)
Income and expense recognised directly in equity (a)	(551,126)	-
Transfers to reserves	(2,269,394)	(2,734,363)
Transfers from reserves	2,459,158	4,336,241
Balance at end of period	29,446,751	29,446,840
Total equity at end of period	81,390,876	82,554,181

(a) Relates to tax effect on non-current assets, which have depleted reserves and, therefore, recognised directly in retained earnings.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 29 – Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by Aqwest are cash and cash equivalents, receivables, held-to-maturity investments, payables, and WATC borrowings. Aqwest has limited exposure to financial risks. Aqwest's overall risk management program focuses on managing the risks identified below.

(i) Credit risk

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

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 Aqwest's 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 Aqwest is unable to meet its financial obligations as they fall due. Aqwest is exposed to liquidity risk through its trading in the normal course of business.

Aqwest's 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.

Aqwest 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 Aqwest's income or the value of its holdings of financial instruments.

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

All of Aqwest'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 with 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(e), Aqwest is not exposed to interest rate risk because the majority of cash, cash equivalents and restricted cash are non-interest bearing and Aqwest has no borrowings other than WATC borrowings (fixed interest rate).

(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:

	2014	2013
	\$	\$
Financial assets		
Cash and cash equivalents	811,794	561,230
Receivables (a)	1,463,239	1,369,067
Held to maturity investments	1,700,000	1,348,000
	<u>3,975,033</u>	<u>3,278,297</u>
Financial liabilities		
Payables (b)	1,064,402	886,686
WATC loan	561,018	612,407
	<u>1,625,420</u>	<u>1,499,093</u>

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable).

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

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 29 continued – Financial instruments

(c) Financial instrument disclosures

(i) Credit risk

Aqwest'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 Aqwest.

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 \$
2014					
Cash and cash equivalents	811,794	-	-	-	-
Receivables (a)	1,463,239	1,324,781	13,412	125,046	-
Held to maturity investments	1,700,000	-	-	-	-
	3,975,033	1,324,781	13,412	125,046	-
2013					
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	-	-	-	-
	3,278,297	1,215,998	13,371	125,540	14,158

(a) The amount of receivables excludes the GST recoverable from the Australian Taxation Office (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.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 29 continued – Financial instruments

(c) Financial instrument disclosures continued

(ii) Liquidity risk and interest rate risk

The following table discloses Aqwest'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. Aqwest does not hold any collateral as security or other credit enhancements relating to the financial assets it holds. Aqwest 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
2014	%	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Cash and cash equivalents	2.28%	811,794	810,294	1,500	-	811,794	-	-
Receivables (a)	-	1,463,239	-	1,463,239	-	1,463,239	-	-
Held to maturity investments	3.80%	1,700,000	-	-	1,700,000	1,700,000	-	-
		3,975,033	810,294	1,464,739	1,700,000	3,975,033	-	-
Financial liabilities								
WATC loan	3.77%	561,018	-	-	561,018	15,352	40,074	55,217
Payables (b)	-	1,064,402	-	1,064,402	-	-	-	-
		1,625,420	-	1,064,402	561,018	15,352	40,074	55,217

(a) The amount of receivables excludes the GST recoverable from the Australian Taxation Office (statutory receivable).

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

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

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	
2013	%	\$	\$	\$	\$	\$	\$	\$	\$	
Financial assets										
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	-	-	-	
		3,278,297	559,730	1,370,567	1,348,000	3,278,297	-	-	-	
Financial liabilities										
Payables (b)	-	886,686	-	886,686	-	886,686	-	-	-	
WATC loan	3.77%	612,407	-	-	612,407	15,034	38,598	53,183	505,592	
		1,499,039	-	886,632	612,407	899,312	38,598	53,183	505,592	

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

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

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 29 continued – Financial instruments

(d) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of Aqwest'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.

2014	Carrying amount \$	- 1% change		+ 1% change	
		Profit \$	Equity \$	Profit \$	Equity \$
Financial assets					
Cash and cash equivalents	810,294	(8,103)	(8,103)	8,103	8,103
Other financial assets	1,700,000	(17,000)	(17,000)	17,000	17,000
Financial liabilities					
WATC Loan	561,018	(5,610)	(5,610)	5,610	5,610
Total increase/(decrease)		(30,713)	(30,713)	30,713	30,713

2013

Financial assets					
Cash and cash equivalents	559,730	(5,597)	(5,597)	5,597	5,597
Other financial assets	1,348,000	(13,840)	(13,840)	13,840	13,840
Financial liabilities					
All non interest bearing	612,407	(6,124)	(6,124)	6,124	6,124
Total increase/(decrease)		(25,201)	(25,201)	25,201	25,201

(e) 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.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

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:

	2014	2013
	\$	\$
Current accounts		
Working account	700,249	409,003
At call deposit	-	-
Headworks reserve account	49,443	25,776
Computer upgrade reserve account	24,293	598
Subdivision reserve account	16,628	2,250
Asset replacement reserve account	-	35,266
Business development reserve account	19,431	86,587
Floats	1,750	1,750
	811,794	561,230

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

	2014	2013
	\$	\$
Profit after income tax equivalents	361,273	(2,005,128)
Non cash items:		
Depreciation	2,671,597	2,997,334
(Gain)/loss on disposal of non current assets	24,369	(24,936)
Impairment losses reversed	-	(11,343)
Developer contributions	-	(65,597)
(Increase)/decrease in assets:		
Trade and other debtors	(94,172)	11,788
Inventories	(113,517)	(65,802)
Prepayments	34,481	(22,532)
Increase/(decrease) in liabilities:		
Trade creditors and accruals	(211,011)	(6,474)
Finance costs	51,389	
Employee provisions	73,337	85,936
Other items:		
Income tax equivalents	461,861	-
Net GST receipts/(payments)	(26,481)	(13,647)
Change in GST receivable/payable	6,491	(31,994)
Net cash provided by/(used in) operating activities	3,473,335	849,603

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 31 – Credit standby arrangements and loan facilities

(a) Credit standby arrangements

Aqwest's bankers provide standby funds. A total of \$1,000,000 is accessible by Aqwest. The bank overdraft facility may be drawn at any time and is subject to annual review. At 30 June 2014, an aggregate amount of \$1,000,000 remained unused (2013: \$1,000,000 unused).

(b) Summary of loan facilities

	2014	2013
	\$	\$
Credit standby arrangement	1,000,000	1,000,000
	1,000,000	1,000,000

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:

	2014	2013
	\$	\$
Auditing the accounts, financial statements and key performance indicators	38,100	35,700
	38,100	35,700

Note 33 – Remuneration of directors and senior officers

(a) Remuneration of Directors

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

	2014	2013
nil to \$10,000	6	5
\$10,001 to \$20,000	1	1
Total remuneration	28,773	\$30,250

(b) Remuneration of senior officers

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

	2014	2013
\$120,001 to \$130,000	-	1
\$130,001 to \$140,000	1	-
\$180,001 to \$190,000	-	1
\$190,001 to \$200,000	2	-
\$210,001 to \$220,000	-	1
Total remuneration	\$525,726	\$520,454

Base remuneration and superannuation	473,379	469,140
Adjustment for accruals	(61)	754
Annual, personal and long service leave accruals	19,070	26,560
Other benefits	33,338	24,000
Total remuneration	\$525,726	\$520,454

No senior officers are members of the Pension Scheme.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 34 – Explanatory statement

(a) Actual to budgeted results

This statement provides details of any significant variations between estimates and actual results for the 2014 financial year. Significant variations are considered to be those greater than 10% and \$500,000.

	Actual 2014 \$	Estimate 2014 \$	Variance \$
Revenue:			
Water Sales	10,537,458	9,364,700	1,172,758
Supply charges	3,213,121	3,214,800	(1,679)
Consumption charges	7,273,073	6,446,700	826,373
Other charges	585,851	114,700	471,151
Rebates given	(534,587)	(411,500)	(123,087)

Residential volumetric consumption increased by 7% in 2013-2014, however the medium consumption trend is that consumption is remaining relatively static.

Non residential volumetric consumption increased by 2% in 2013-14.

The budget for consumption charges based on historical averages was underestimated. The increase in total water sales is the result of a combination of a larger than expected increase in consumption and the first year of the new pricing pathway.

(b) Comparison of actual results

This statement provides details of any significant variations between actual revenues and expenditures for the 2014 and 2013 financial years. Significant variations are considered to be those greater than 10% and \$500,000

	Actual 2014 \$	Actual 2013 \$	Variance \$
Revenue:			
Water Sales	10,537,458	8,620,399	1,917,059
Supply charges	3,213,121	2,669,550	543,571
Consumption charges	7,273,073	5,636,475	1,636,598
Other charges	585,851	729,809	(143,958)
Rebates given	(534,587)	(415,435)	(119,152)

Residential volumetric consumption increased by 7% in 2013-2014, however the medium consumption trend is that consumption is remaining relatively static.

Non residential volumetric consumption increased by 2% in 2013-14.

The increase in total water sales is the result of a combination of a larger than expected increase in consumption and the first year of the new pricing pathway.

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 34 – Explanatory statement (cont.)

	Actual 2014 \$	Actual 2013 \$	Variance \$
Expenses:			
Operational Expenses	6,517,690	8,056,448	(1,538,758)
Materials and contractors	1,713,741	2,825,717	(1,111,976)
Electricity	637,656	542,072	95,584
Salaries and wages	919,272	1,100,987	(181,715)
Employee overheads	497,647	494,047	3,600
Other expenses	77,778	96,291	(18,513)
Depreciation	2,671,596	2,997,334	(325,738)

The main factor causing the variance in materials and contractors expenses from 2014 to 2013 was the high costs incurred in 2012 - 2013 relating to investigative and repair work at Aqwest's water storage infrastructure assets.

Note 35 – Supplementary information

(a) Write offs

	2014 \$	2013 \$
Revenue and other property written off by the directors during the financial year:		
Ex gratia water allowances	81,748	54,044
Property write offs	-	3,246
	81,748	57,290

(b) Gifts of public property

	2014 \$	2013 \$
Gifts of public property provided by Aqwest	-	19,648*
	-	19,648

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

Financial Report

Notes to the Financial Statements

for the year ended 30 June 2014

Note 36 – Non cancellable operating lease revenue

Aqwest holds long term operating leases with payments receivable annually for telecommunications towers located on Aqwest facilities.

The minimum lease payments receivable are as follows:

	2014	2013
	\$	\$
Within 1 year	56,159	48,118
Later than 1 year but not later than 5 years	116,032	157,019
Later than 5 years	-	17,229
	172,191	222,366

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:

	2014	2013
	\$	\$
Within 1 year	159,727	184,003
Later than 1 year but not later than 5 years	11,974	96,574
	171,701	280,577

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:

	2014	2013
	\$	\$
Within 1 year	523,927	251,070
	523,927	251,070

The capital commitments include amounts for:

Reservoirs	523,927	-
Mains and service connections	-	251,070
	523,927	251,070

Note 38 – Contingent assets and contingent liabilities

As at 30 June 2014, there are no material contingent assets or liabilities to report.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 39 – Subsequent events occurring after the reporting date

Aqwest (Bunbury Water Board) became Aqwest (Bunbury Water Corporation) on 18 November 2013.

The change in legislation brought with it the requirement for Aqwest, as a corporation, to pay dividends to the Government.

While no dividends were payable for the 2013-2014 financial year, Aqwest have forecast the payment of a 65% net profit after tax dividend payment to the Government for the 2014-2015 financial year.

Aqwest will also commence receiving operating subsidies for the period commencing 1 July 2014 for non commercial services which are performed at the direction of the Government.

This page is left intentionally blank



5 MacKinnon Way, Bunbury WA 6230
PO Box 400, Bunbury WA 6231

Telephone: (08) 9780 9500
Facsimile: (08) 9780 9509

Internet: www.aqwest.wa.gov.au
Email: aqwest@aqwest.wa.gov.au