

# ANNUAL REPORT 2019



  
"YOUR LOCAL WATER SUPPLIER"  
**AQWEST**

# *contents*



## WELCOME

Welcome to the Aqwest 2019 Annual Report .....	1
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## OVERVIEW

Highlights .....	3
Chief Executive Officer's Report .....	6
Chair's Report.....	8
The Aqwest Board.....	11
Corporate Structure.....	12

## PERFORMANCE

Performance Against Strategic Direction .....	15
Corporate Outcomes.....	16
Financial Performance.....	17
Sustainability .....	18
Customer Service .....	19
Assets.....	20
People .....	21
Owner.....	23
Community and Stakeholders.....	25
10-Year Financial Summary.....	26
10-Year Operating Statistics .....	27

## OPERATIONS

Capital Works Program .....	29
Occupational Safety, Health and Injury Management.....	32
Customer Complaints.....	33
In Our Community .....	34

## CORPORATE GOVERNANCE

Corporate Governance Report.....	37
Disclosure Requirements.....	41
Directors' Report.....	42

## FINANCIAL REPORT

Financial Report 2018/19 .....	46
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## Purpose

Maximise value to the owner and customer by providing locally managed water services



## Vision

To be an independent, viable and competitive water utility in the Western Australian water industry



## Guiding Principles

- Committed to customer service excellence
- Customer, community and commercially focused
- Striving for innovative solutions

## Values





# Welcome to the Aqwest 2019 Annual Report



**The 2019 Annual Report is a review of Aqwest's performance for the financial year ended 30 June 2019.**

This report is produced in accordance with the provisions of the *Water Corporations Act 1995* and other relevant legislation, which governs our operations.

It is provided to the Minister for Water the Hon Dave Kelly MLA and is tabled in the Parliament of Western Australia.

The objective of this report is to provide Aqwest's owner, customers, community and stakeholders with information about Aqwest's operational and financial performance for the 2018/19 financial year.

This report and past annual reports can be found at [www.aqwest.com.au](http://www.aqwest.com.au).

For customer enquiries or feedback about our services, email [aqwest@aqwest.com.au](mailto:aqwest@aqwest.com.au).

# Overview





## Highlights

### Planning for the future - construction of the Glen Iris water treatment plant

Aqwest continued its largest capital works project of the last decade, the construction of a new water treatment plant in Bunbury's eastern suburb of Glen Iris. The plant will have the potential to supply almost half of Bunbury's average water consumption demand.

Due to the impacts of climate change, the risk of increasing salinity levels threatens water quality. Water extraction and treatment at Glen Iris will replace current water abstraction from the sensitive coastal freshwater-seawater interface area. Benefits will also be obtained from lower production costs and by reducing the need for the expensive refurbishment of Aqwest's current coastal treatment plants, which will ultimately be decommissioned.

Construction of the plant is scheduled for completion in early 2020.



### Water Conservation

Aqwest's residential customers have continued to reduce their water use against a target of <270 kL. Water consumption dropped from 247 kL in 2017 to 245 kL in 2018, and to 243 kL in 2019.



### Water Quality

Aqwest once again complied with the Australian Drinking Water Guidelines and achieved 100 per cent microbiological compliance.





## During the year we:



Extracted **6.308 gigalitres (GL)** of groundwater



Delivered drinking water to **17,430** customers



Collected revenue of **\$16.163 million**



Achieved a profit before income tax of **\$4.738 million**



Returned to Government **\$3.247 million** in dividend and taxation payments



Construction of a new **\$15 million** water treatment plant in the Bunbury suburb of Glen Iris



Invested **\$0.678 million** in water mains and distribution infrastructure



Invested **\$1.576 million** in the maintenance and renewal of existing reservoirs, treatment plants and corporate assets



Employed **40 local people**



During the year we spent over **\$4.9 million** on the delivery of projects in regional Western Australia



**“Annual water production has remained at between 6GL and 7GL since the early 1980s. As customer numbers have doubled over this time, this is a credit to the water conservation practices adopted by Aqwest customers.”**

**Brad Bevis**  
Chief Executive Officer

## CEO's Report

### Financial Performance

Financial performance for 2018/19 was acceptable with total revenue below budget by 6.6 per cent. Total expenses were 10.0 per cent below budget.

Budgeted Operating Profit After Tax = \$4.609 million.

Actual Operating Profit After Tax = \$4.738 million.

A full analysis is shown within the financial notes of this Annual Report.

Financial performance is monitored continuously, and the board is provided with detailed monthly reports. Both the audit committee and board of directors considered formal quarterly budget reviews. The Minister was provided with a quarterly report for each of the first three quarters of the financial year as required by the *Water Corporations Act 1995*.

### Performance Indicators

Annual water production has remained at between 6GL and 7GL since the early 1980s. As customer numbers have doubled over this time, this is a credit to the water conservation practices adopted by Aqwest customers (Note 1GL = 1 gigalitre = 1,000,000,000 litres).

### Water Pricing

In 2018/19, consumption and supply charges increased by 6.00 per cent.

The Board provided pensioners and seniors with consumption and supply fee rebates in excess of \$0.752 million in 2018/19.

### People

The Board remains committed to providing an environment that allows all employees with the opportunity to thrive.

The staff services program continues to provide tangible benefits.

In December 2018 an aboriginal trainee was employed in the water services area.

Attendance at industry conferences including VicWater18 and OzWater19 is actively encouraged. Such conferences provide relevant staff and Directors with the opportunity to expand their knowledge of the Australian water industry, thereby delivering better outcomes to Aqwest.



### Key Relationships

The ongoing communication and assistance provided by key stakeholders including the Minister for Water, Water Corporation, Busselton Water, Economic Regulation Authority, Department of Water and Environmental Regulation, RiskCover, Department of Health, City of Bunbury and Office of the Auditor General results in a stronger water industry in Western Australia. Aqwest places a high value on these links.

### Water Quality

Aqwest strives to provide drinking water that meets the relevant Australian Drinking Water Guidelines. Aqwest acknowledges the Department of Health as the regulator of drinking water quality in Western Australia.

Aqwest has in place a highly experienced Water Quality Committee and appreciates the external expertise brought to this forum by the WA Department of Health, GHD and the City of Bunbury.

Aqwest is represented on the Advisory Committee for the Purity of Water (ACPOW) quarterly meetings as convened by the Department of Health.

### Government Trading Enterprise (GTE) Reform

Aqwest appreciated the opportunity to participate in the operational forums facilitated by Ms Chelsea Lim, Project Director, GTE Reform at the Department of Treasury. It is acknowledged that the proposed GTE reform agenda is a key component of the State Government's public sector reform activities.

### Safety

Aqwest has used the WorkSafe Plan Certification framework to audit its Occupational Health & Safety (OHS) practices for more than fifteen (15) years. This resulted in the achievement of Platinum WorkSafe Plan Certification in 2013 and again in 2016. This is the highest certification available from WorkSafe.

Outcomes from this assessment and certification process have been valuable in the continued development of Aqwest's OHS systems. To promote even further improvement a decision was made to raise the bar even higher and change the assessment process and seek certification against "ISO 45001 – Occupational Health & Safety".

Following an audit process completed by SAI Global

Aqwest achieved accreditation in accordance with ISO 45001 Occupational Health and Safety in June 2019.

### Closing

I have again greatly appreciated the support of all board directors, managers and staff throughout the financial year.

I would again like to acknowledge and thank everyone at Aqwest who has made a commitment outside of their normal working hours to ensure this 24/7 business provides continuous excellence in customer services. Also, to those staff who make an effort in their own time and sometimes at their own expense to make Aqwest a better place to work – thank you.

**Brad Bevis**  
Chief Executive Officer



***"Construction of the GIWTP commenced in late May 2019. It is scheduled to be completed by 28th February 2020."***

**Stan Liaros**  
Chair

## Chair's Report

### Board of directors

The board actively embraces the practice of good corporate governance including the annual review of the board charter. The board is acutely aware of its risk management responsibilities and again conducted a special workshop to consider board level risks. Directors actively participated in the Risk Management, Audit Committee and Chief Executive Officer Recruitment Sub Committees during the financial year. Directors attend relevant water industry forums including OzWater and VicWater to increase their overall knowledge of the Australian water industry.

A strategic planning workshop involving all directors was held in November 2018.

The membership of the board changed in 2018/19 with Mrs Tresslyn Smith replacing Mr Robert Nicholson. Mr Robert (Neville) Eastman was reappointed as the Deputy Board Chair.

### Glen Iris Water Treatment Plant (GIWTP)

Following an extensive tender assessment process, the tender for the design and construction of the GIWTP was awarded to Leicon Notley in October 2018.

Construction of the GIWTP commenced in late May 2019. It is scheduled to be completed by 28th February 2020. The project director is the board's Manager Water Services, Mr Gary Hallsworth. The project superintendent is Mr Jeff Foley from the engineering consultancy GHD. The project has an overall budget of \$15 million.

Once constructed the plant will have a nominal capacity of 10 ML per day. Water extraction and treatment at Glen Iris will replace current water abstraction from the sensitive coastal freshwater-seawater interface area.

Benefits will be obtained from lower per kilolitre production costs and expensive refurbishment to current coastal treatment plants will be avoided with these plants ultimately being decommissioned.



## Integrated Water Management Strategy Stage 2

Aqwest currently provides potable water supply services for approximately 17,500 domestic and commercial customers within its operating area, which since 2014 has aligned with the boundary of the Greater Bunbury Region Scheme (GBRS). With the expansion of this operational boundary, in 2015 Aqwest prepared the Long Term Urban Water Supply Strategy 2014-2065 (LTUWSS).

Currently Aqwest in conjunction with GHD are further developing the LTUWSS into a more comprehensive urban water strategy that provides a long-term (50 year horizon) master plan for the development of Aqwest's urban services in existing and new urban areas of the greater Bunbury region.

## Strategic planning

The board has six (6) key result areas – sustainability, people, customer service, owner, assets and community/stakeholders. Objectives and performance indicators are reviewed during the

financial year. Improvements and changes made are reflected in the Statement of Corporate Intent and Strategic Development Plans.

## National Performance Report for Urban Water Utilities 2017/18

The National Performance Report for urban water utilities for 2017/18 was released in the 2018/19 financial year.

National performance reports benchmark the pricing and service quality of Australian water utilities. Indicators include water resource supply and usage, financial operations, bills and pricing, assets, water quality compliance and customer performance. The report is published annually and prepared independently by the Bureau of Meteorology, State and Territory governments, and the Water Services Association of Australia.

Aqwest compares favourably against similar size water utilities throughout Australia.

## Closing

Thank you to outgoing Director Mr Robert Nicholson for your services to the Board. Thank you to my fellow Directors Tresslyn Smith, Neville Eastman, Patricia Scaffidi, Wendy Giles and Hans Dopheide, and Executive Staff and all staff for their efforts and commitment during 2018/19. Aqwest looks forward to continuing to provide a high quality reliable water supply for many years to come.

**Stan Liaros**  
Chair





## The Aqwest Board



**Mr Stan Liaros (Chair)**

Bunbury businessman Stan Liaros is the Chief Executive Officer of the Apprentice and Traineeship Company and a former Chair of Aqwest, the South West Development Commission and the South West Academy of Sport. He was also the Senior Vice President of the South West Football League.



**Mr Neville Eastman**

Neville 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 wellbeing of the city and its residents. Neville was previously a member of the Bunbury Port Authority for 10 years.



**Mrs Patricia Scaffidi**

Patricia Scaffidi is a retired Certified Practising Accountant and has worked in a farming and property development business in Donnybrook and as the Financial Lead on business development and acquisition teams for Cristal Inorganic Chemicals and as the Chief Financial Officer for Bemax Mining Group. She is the Company Secretary for GP Down South.



**Mrs Tresslyn Smith**

Tresslyn Smith is a City of Bunbury Councilor who has a particular interest in the consumer affairs aspects of water supply and delivering public services. She is a strong supporter of water conservation initiatives and has a keen interest in the long term security of supply of the Yarragadee aquifer. She gives a high priority to the awareness of environmental factors such as the effect of climate change and its impact on rainfall and rising sea levels.



**Mr Hans Dopheide**

Hans Dopheide has extensive experience in the mining and electricity utility sectors. He has previously worked for South32, BHP Billiton, Verve Energy and Western Power. He has a wealth of experience in operations, maintenance, construction, developing power plants and working with government. He has a particular interest in conservation and has been a resident of Bunbury since 2008.



**Dr Wendy Giles**

Wendy Giles is the former Associate Dean of Edith Cowan University in Bunbury and a former Bunbury City Councillor. She is a part time tutor at the Bunbury Regional Prison and an online lecturer in science for Charles Darwin University.

MINISTER FOR WATER

Hon  
Dave Kelly  
MLA

BOARD OF DIRECTORS

Mr Stan Liaros  
(Chair)

Mr Neville  
Eastman

Mrs Patricia  
Scaffidi

Mrs Tresslyn  
Smith

Mr Hans  
Dopheide

Dr Wendy  
Giles

MANAGER WATER  
SERVICES

Mr Gary  
Hallsworth

CHIEF  
EXECUTIVE OFFICER

Mr Brad  
Bevis

MANAGER  
CORPORATE SERVICES

Mr Joe Smith  
(Chief Finance  
Officer)

- Operations and maintenance
- Capital works
- Asset management
- Water quality
- Safety management
- Developer services
- Business continuity

- Risk management
- Business Development

- Financial services
- Customer service
- Human resources
- Information, communication and technology
- Public relations
- Corporate planning and reporting



## Our Corporate Structure

Aqwest is owned by the Western Australian Government and accountable to the Minister for Water; Fisheries; Forestry; Innovation and ICT; Science the Hon Dave Kelly MLA, for the delivery of services.

The Board responds to the Minister for Water and has the legislative authority to perform the functions of the organisation. It is ultimately responsible for legal compliance, corporate governance and risk management. The Board also provides strategic direction and guidance to the CEO and Executive Management.

The CEO is appointed by the Board of Directors, with the concurrence of the Minister for Water.

The organisational structure consists of two streams, Corporate Services and Water Services. Each is headed by an Executive Manager who reports directly to the Chief Executive Officer (CEO).

Aqwest employs 40 team members and engages external support and expertise as required.



# Performance





## Performance against strategic direction

Aqwest's four (4) key directions in the Statement of Corporate Intent for 2018/19 were as follows:



**Maintain an ongoing focus on our core business of providing sustainable high-quality water services.**



Performance indicators substantively met within the six (6) Key Result Areas (KRAs) of Sustainability, People, Customer Service, Owner, Operations, Assets and Community/Stakeholders.



**Complete the approved Glen Iris Water Treatment Plant business case.**



Complete.



**Respond to any demand to provide bulk water services.**



No demand during the financial year for bulk water services.



**Proceed with the completion of Stage 2 of the Aqwest Greater Bunbury Integrated Water Management Strategy.**



Completed June 2019.

# Corporate Outcomes

Aqwest's corporate performance against financial outcomes and targets detailed in its 2018/19 Statement of Corporate Intent (SCI):

	2018/19 Target	2018/19 Actual
<b>Financial outcomes</b>	<b>\$'000s</b>	<b>\$'000s</b>
Total operating revenue (a)	16,983	15,799
Less: direct operating expenses (b)	9,970	8,915
Less: depreciation	2,586	2,495
<b>Earnings before interest and tax (EBIT)</b>	<b>4,427</b>	<b>4,389</b>
Less: interest expense (c)	133	14
Add: developer contributions	315	363
<b>Operating profit before tax</b>	<b>4,609</b>	<b>4,738</b>
Less: income tax expense	1,683	1,600
Less: Dividend	2,048	1,940
<b>Operating profit after tax and dividend</b>	<b>878</b>	<b>1,198</b>
Capital expenditure (c)	15,833	4,962
Borrowings taken (repaid) (c)	9,622	(62)
Net debt (c)	7,736	0
<b>Net accrual to Government</b>	<b>\$000s</b>	<b>\$000s</b>
Income tax equivalent	1,683	1,600
Local Government rate equivalent	72	81
Land tax	36	30
Dividend	2,048	1,940
Operating subsidy	(692)	(738)
<b>Net accrual to Government</b>	<b>3,147</b>	<b>2,913</b>
<b>Financial performance measures</b>	<b>%</b>	<b>%</b>
Return on assets	7.3	9.2
Net debt to equity (c)	8.7	0.0

(a) Budgeted residential water consumption revenue was based on the prior three-year historical average consumption of 257kL/property. Average residential water use for 2018/19 was 243kL/property.

(b) Direct operating expenses ended 11 percent below budget. This was mainly the result of:

- Refurbishment works at the Roberts Reservoir coming in at \$0.17 million under budget
- Savings from energy and water compliance contracts of \$0.2 million
- Other demand driven operational works under budget by \$0.3 million

(c) The construction of the Glen Iris WTP fell behind the budgeted schedule, no borrowings were made during the financial year.



## Financial Performance

**\$4.738  
million**  
PROFIT

### Profitability

Aqwest's operating profit before tax in 2018/19 was \$4.738 million.

**\$4.962  
million**  
CAPITAL  
INVESTMENT

### Infrastructure

Aqwest's capital investment program benefits the community and industry partners, which assists in construction, maintenance and operations works. A \$4.962 million capital investment program was delivered in 2018/19.

**No**  
ADDITIONAL  
BORROWINGS

### Debt and Borrowings

The capital investment program over recent years has been funded from capital reserves and debt levels have remained low. There were no additional borrowings in 2018/19.

**\$1.940  
million**  
DIVIDEND

### Supporting the Region

Dividends paid to the State Government contribute to a range of programs and initiatives that benefit the West Australian community.

**\$2.913  
million**  
NATG

### Returns to the State

Aqwest is required by the Australian Tax Office to lodge an income tax return and pay income tax equivalents to the State Government. In total \$1.600 million in tax will be paid for the 2018/19 year.

A final dividend of \$1.940 million was paid in December 2018 for the year ending 30 June 2018. Aqwest received operating subsidies from the State Government of \$0.738 million for the 2018/19 year. Net Accrual to Government (NATG) is

the total of tax, dividend, land tax and local government rate equivalent payments to Government, offset by the operating subsidy received from Government. In 2018/19 Aqwest delivered a \$2.913 million Net Accrual to Government.

**Commitment: Permanence**

We are committed to ensuring the sustainable long-term provision of potable water services. This will be achieved by acting in an environmentally, socially and financially responsible way. Over the last thirty (30) years our extraction of water from the Yarragadee aquifer has remained relatively constant despite a significant rise in customer numbers.

## Sustainability

**Performance indicators are used to measure the following corporate objectives:**

- Manage the long term viability of the water resource
- Act in an environmentally responsible way
- Identify renewable energy opportunities and implement these when cost effective
- Continue to invest in demand management and water conservation initiatives
- Seek to secure and maintain access to quality water resources
- Manage aquifer extraction regimes to preserve long term supply
- As appropriate, monitor the ongoing impact of climate change on the South West.

Performance Indicator	Unit	2018/19 target	2018/19 actual	Outcome	Historical			
					2017/18	2016/17	2015/16	2014/15
S1. Quantity of water produced within licensed allocation	GL	< 7.6	6.3	✓	6.4	6.5	6.7	6.8
S2. Real water losses	L / property / day	< 105	98	✓	108	104	95	106
S3. Average annual residential water supplied	kL / property	< 270	243	✓	245	247	261	265
S4. Operating cost of water supplied (a)	% increase / kL / property	< 2.0	5.1	✗	(2.3)	2.3	7.2	(11.7)

(a) Significant planned increase in Engineering Analysis expenditure.



### Commitment: Excellence

We take pride in providing personalised customer service. The Water Services Code of Conduct prescribes a set of service standards. The provision of safe drinking water is one of the most fundamental requirements for ensuring community health. As such, a significant body of regulation exists which ensures that the public can have confidence that its water is available and safe to drink. We are committed to complying with all relevant legislation, regulation and standards.

## Customer Service

### Performance indicators are used to measure the following corporate objectives

- Achieve excellence in the provision of service to customers
- Meet all requirements of the Operating Licence and Water Services Code of Conduct
- Provide water quality in accordance with the Australian Drinking Water Guidelines (ADWG)
- Deliver better services through digital transformation
- As appropriate, monitor the ongoing impact of climate change on the South West.

Performance Indicator	Unit	2018/19 target	2018/19 actual	Outcome	Historical			
					2017/18	2016/17	2015/16	2014/15
CS1. Microbiological compliance	%	100.00	100.00	✓	100.00	100.00	100.00	100.00
CS2. Water quality complaints	per year, per 1,000 properties	< 2.00	0.29	✓	0.52	1.45	0.29	0.12
CS3. Water service complaints (a)	per year, per 1,000 properties	< 0.80	1.15	✗	0.98	0.35	0.23	0.20
CS4. Billing and account complaints	per year, per 1,000 properties	< 2.00	1.03	✓	0.17	1.95	0.47	0.90
CS5. Percentage of connections meeting pressure and flow requirements (b)	%	100.00	99.98	✗	99.98	99.90	100.00	99.98
CS6. Percentage of customer complaints resolved in less than 15 business days	%	100.00	100.00	✓	100.00	97.00	94.00	93.00

(a) Twenty (20) water service complaints were received. Target would have been met at thirteen (13) complaints.

(b) Three (3) out of 17,430 connections did not meet pressure and flow requirements.

**Commitment: Efficiency**

We are planning for the future by ensuring that the capacity of infrastructure is always sufficient to meet demand. We are continually monitoring and reporting on the performance of operations and have put in place Strategic Asset and Ten (10) Year Finance plans. Significant investments in human, information and physical resources are included in the Ten (10) Year Finance Plan.

## Assets

**Performance indicators are used to measure the following corporate objectives:**

- Ensure that facility location, system capacity and capability are always sufficient to meet future demand
- Ensure compliance with all other relevant Regulations and Statutory requirements
- Keep abreast of emerging water treatment technology and continue to invest in water production, treatment and distribution infrastructure
- Ensure that sufficient resources are available to fund the full life cycle costs of assets.

Performance Indicator	Unit	2018/19 target	2018/19 actual	Outcome	Historical			
					2017/18	2016/17	2015/16	2014/15
OP1. Average frequency of an unplanned interruption	per 1000 properties	< 250	166	✓	162	235	146	20
OP2. Average duration of an unplanned interruption	minutes	< 60.0	45.2	✓	33	48.8	61.0	43.7
OP3. Energy consumption	kWh/kL	< 0.45	0.455	✓	0.449	0.45	0.45	0.45
OP4. Properties served	per km of water main	> 40	44.3	✓	44.2	44.4	43.8	43.9
OP5. Water main breaks	per 100km of water main	< 20	5.1	✓	9.4	17.5	13.7	12.5
OP6. Off peak energy use	%	> 70.0	75.3	✓	74.1	70.1	69.0	72.0
OP7. Operating cost of water produced (a)	% increase per ML produced	< 2.00	7.1	✗	(0.04)	5.5	7.4	6.8

(a) Significant planned increase in Engineering Analysis expenditure.



**Commitment:  
Development, Equity & Safety**

We recognise that our people are our most important asset. The key to sustainable business is to invest in training, development and safety. A comprehensive Early Intervention Program is conducted, which includes annual skin cancer screening, flu shots, weekly physiotherapy clinics, dietary advice and an employee assistance program. Comprehensive systems, policies and procedures have been developed which ensure all staff are treated equitably and operate within a safe working environment.

## People

**Performance indicators are used to measure the following corporate objectives:**

- Maintain Strategic Workforce Plan
- Maintain an Equal Employment Opportunity & Diversity Plan
- Improve capabilities of both employees and systems to support growth opportunities
- Ensure that we maintain an effective and efficient organisation
- Develop a multi skilled and flexible workforce through effective training and mentoring programs
- Maintain a safe working environment and culture
- Provide a work environment where employees have the opportunity to thrive
- Engage the necessary expertise to undertake staff profiling, early intervention and maintain staff services programs.

Performance Indicator	Unit	2018/19 target	2018/19 actual	Outcome	Historical			
					2017/18	2016/17	2015/16	2014/15
P1. Staff attitudinal survey completed	Yes/No	Yes	Yes	✓	Yes	Yes	Yes	Yes
P2. Safety index measured and monitored (a)	Yes/No	Yes	Yes	✓	n/a	n/a	n/a	n/a

(a) New indicator in 2018/2019.





### Commitment: Value

We are committed to maximising value for our owner. We plan to achieve this through the continued execution of our strategy focused on creating value from our assets, and our continued focus on evaluating various business development initiatives. We consider that the long term financial viability of the business is of paramount importance.

## Owner

### Performance indicators are used to measure the following corporate objectives:

- Ensure the long term financial viability of the business
- Adhere to Corporate Governance Principles
- Proactively investigate opportunities to add value to the business
- Maintain an Asset Management Plan
- Maintain an effective risk management system.

Performance Indicator	Unit	2018/19 target	2018/19 actual	Outcome	Historical			
					2017/18	2016/17	2015/16	2014/15
SV1. Return on assets (a)	%	7.5	9.2	✓	8.2	9.9	10.6	8.2
SV2. Per cent of fixed costs recouped by supply fee	%	45.0	59.2	✓	57.4	58.6	58.0	52.0
SV3. Net debt to equity ratio	%	< 10.0	0.0	✓	0.0	0.0	0.0	0.0

(a) Based on Regulatory Asset Value (RAV) and Weighted Average Cost of Capital (WACC).





### Commitment: Engagement

We are a part of the local community and are bound to act in its best interests. An understanding of needs and expectations is obtained by consulting with the community on relevant issues.

We are committed to developing relationships within the community and participating in community affairs.

## Community and Stakeholders

### Corporate objectives:

- Remain accountable and responsive to community needs
- Develop corporate relationships through active consultation, communication and engagement with the community
- Maintain a positive public profile
- Meet all community obligations and responsibilities
- Meet all requirements of the Water Services Code of Conduct and Hardship Policy.



### Achievement: Giving back to the community

Aqwest has continued its community sponsorship program and supported seven local organisations during the financial year. It was the first year Aqwest supported the Choose Respect program, where funds were used to purchase Choose Respect resources to enable the continued growth of respect throughout Bunbury. These resources assist with the continued growth of respect within our community. The visual presence of the Choose Respect logo on vehicles, in our schools and in our

homes, are all designed to remind us to think before we act, and to respect as we go about our daily business.

Aqwest's rehydration station continued to be used by many local not-for profit organisations, charities and sporting groups. Aqwest's annual Photography competition raised awareness of water conservation among local schools.

Aqwest is developing a new website to provide better online community interactions.

## 10-Year Financial Summary

Financial outcomes ('000s)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Revenue	16,163	14,990	15,861	16,136	14,217	11,059	9,233	9,460	9,046	9,492
Operating Subsidy	738	703	703	811	480	-	-	-	-	-
Developer Contributions	363	224	658	727	993	428	213	446	358	598
Operating Costs	8,915	8,438	8,616	8,343	7,951	7,331	8,242	6,152	6,516	5,634
Depreciation	2,495	2,553	2,522	2,718	2,684	2,672	2,997	3,059	2,654	2,277
Total Expenses	11,424	11,007	11,138	11,061	10,635	10,003	11,239	9,211	9,170	7,911
Profit/(Loss) Before Tax	4,738	3,983	4,723	5,075	3,582	1,057	(2,005)	249	(124)	1,580
Income Tax	1,600	1,392	1,794	1,935	1,472	696	-	380	391	550
Dividend	1,940	1,898	1,983	1,281	-	-	-	-	-	-
Capital Expenditure	4,962	3,431	3,417	2,588	2,738	3,276	3,928	3,936	3,427	6,732
Total Debt	273	335	394	452	507	561	612	-	-	-



## 10-Year Operating Statistics

Operating outcomes	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Water production (gigalitres)	6.31	6.39	6.52	6.66	6.81	6.70	6.33	6.47	6.49	6.72
Residential consumption (gigalitres)	3.82	3.88	3.90	4.07	4.09	4.08	3.83	3.81	3.98	4.05
Non-residential consumption (gigalitres)	1.52	1.51	1.48	1.66	1.63	1.61	1.58	1.71	1.70	1.70
Total water consumption (gigalitres)	5.34	5.39	5.38	5.73	5.72	5.69	5.41	5.52	5.68	5.75
Residential services	15,899	15,831	15,758	15,610	15,442	15,270	15,151	14,939	14,798	14,619
Non-residential services	1,531	1,525	1,515	1,503	1,475	1,449	1,444	1,419	1,390	1,359
Total properties served	17,430	17,356	17,273	17,113	16,917	16,719	16,595	16,358	16,188	15,978
Growth in properties served (per cent)	0.4	0.5	0.9	1.2	1.3	0.6	1.4	1.1	1.3	0.9

# Operations





## Capital Works Program



### Asset Management

The purlins in the roof structure at the Tech and Roberts Crescent reservoirs were replaced to protect water quality during the last half of the financial year. The design work to upgrade the control system for the water supply treatment and distribution networks was carried out, prior to the upgrade being undertaken in the 2019/20 financial year.



### Mains and Valve Replacement

Aqwest continued to invest in the ongoing renewal of water mains and valves. It operates a water supply network which consists of 387km of water mains controlled by around 1,300 valves.

The programs for renewing these assets are driven from the Asset Management system. Continued investment in this area aims to improve customer outage times and frequency by reducing mains failure and improving Aqwest's ability to manage failures



when they do occur, by having properly functioning valves to shut down failed sections of the network.

In the last financial year more than \$700,000 was invested in mains and valves replacements and there was a \$670,000 investment to install a new production bore at Skewes Street water treatment plant.

In addition, Aqwest invested in upgrades of ladders, platforms and walkways and the renewal of compressed air systems across the network.





### Glen Iris Water Treatment Plant

Construction of Aqwest's new water treatment plant at Glen Iris got underway in June, following the awarding of the design and construct tender to Leicon Notley in October 2018.

The contract for the design and construction of the plant was executed in November 2018. This was followed by detailed design which was finalised in May 2019 and liaison with the local community and stakeholders which will be ongoing throughout the duration of the project.

The plant will meet the future water supply needs of



Greater Bunbury, securing a sustainable water supply for Aqwest's 35,000 customers and will be capable of producing 10 megalitres of drinking water per day.

It forms part of Aqwest's Strategic Development Plan to relocate production away from the sensitive seawater/freshwater interface between the Yarragadee Aquifer and the Indian Ocean.

Water for the Bunbury area is currently drawn from several bores along the coast where, due to the impacts of climate change, the risk of increasing salinity levels threatens water quality.



The new water treatment plant will extract water from a high quality, sustainable inland groundwater source, creating greater water production cost efficiencies and delivering benefits to customers.

Construction of the new plant was announced by Premier, Hon Mark McGowan MLA and Minister for Water, Hon Dave Kelly MLA in November 2017.

Construction of the plant is scheduled for completion in early 2020.

## Occupational Safety, Health and Injury Management

The purpose of Aqwest's Occupational Safety and Health Policy is to maintain a safe working environment and culture. Aqwest's commitment to occupational safety and health was demonstrated this year through:

- Monthly Safety Committee meetings which provide a consultative forum to effectively address health and safety matters. The Safety Committee is chaired by the Chief Executive Officer and membership includes the executive staff, health and safety representatives and committee advisers
- Monthly departmental safety meetings were held by the Administration and the Operations Teams, supported by three health and safety representatives from the Administration, Water Distribution and Water Treatment departments
- ISO 45001:2018 Occupational health and safety management systems Stage 1 Audit (December 2018) and Stage 2 Audit (April/May 2019) resulting in Aqwest achieving ISO 45001:2018 Occupational health and safety management systems certification. 100% of agreed actions from the ISO 45001:2018 Occupational health and safety management systems Stage 1 Audit were closed out prior to the Stage 2 Audit. The ISO 45001:2018 Occupational health and safety management systems Stage 2 Audit resulted in zero (0) non-conformances and zero (0) opportunities for improvement
- 98 per cent achievement of Aqwest's Safety Incentive Scheme performance indicators.

In the last year, Aqwest has complied with the injury management requirements of the *Workers Compensation and Injury Management Act 1981*, including the development of return-to-work plans.

Performance against the targets outlined in the Public Sector Commissioner's Circular 2018-03: Code of Practice: Occupational Safety and Health in the Western Australian Public Sector is as follows:

Indicator	Results 2016/17	Results 2017/18	Results 2018/19	Target	Status
Number of fatalities	Zero (0)	Zero (0)	Zero (0)	Zero (0)	
Lost time injury / disease (LTI/D) incidence rate	0%	33.63%	0%	Zero (0) or 10% improvement on the previous three (3) years	
Lost time injury and disease severity rate	0%	0%	0%	Zero (0) or 10% improvement on the previous three (3) years	
Percentage of injured workers returned to work within: (i) 13 weeks and (ii) 26 weeks	(i) 100% (ii) 100%	(i) 100% (ii) 100%	(i) 100% (ii) 100%	Greater than or equal to 80% return to work within 26 weeks.	
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	100%	100%	100%	Greater than or equal to 80%	



## Customer Complaints

Aqwest receives customer complaints by telephone, in writing, by email and in person. These complaints are managed in Aqwest’s RiskWizard database, which captures the source, category and nature of the customer complaint and the outcome, remedy/solution and status.

A complaint is delivered first to the Chief Executive Officer, who reviews it then allocates it to the appropriate member of staff to manage.

Aqwest received 61 complaints this year, compared to 87 last year. This included five water quality complaints, 18 billing and account complaints, 20 water service complaints and 18 ‘other’ complaints. Based on the

number of connected properties, the 61 complaints this year equates to 3.4 complaints per 1,000 properties.

The following three performance indicators for complaints were targeted (per 1,000 properties, per year). These performance indicators were monitored at monthly Board meetings.

Aqwest also endeavours to work with customers to resolve each complaint within 15 business days. The following performance indicator is regularly monitored.

During the year, Aqwest’s Complaints Policy was reviewed, and relevant staff undertook complaints management training.

	2018/19 Target	2018/19 Result	Status
CS2. Water quality complaints (per 1,000 properties)	<2.00	0.29	✓
CS3. Water service complaints (per 1,000 properties) (a)	<0.80	1.15	✗
CS4. Billing or accounts complaints (per 1,000 properties)	<2.00	1.03	✓
CS6. Percentage of customer complaints resolved in less than 15 business Days (%)	100.00	100.00	✓

(a) Twenty (20) water service complaints were received. Target would have been met at thirteen (13) complaints.

## In Our Community



Lily Murphy's photograph interpreting the "Water Art" theme, won first prize in the Aqwest Photography Competition 13 to 17 years section.

### Water Conservation

The popular Aqwest Photography Competition was once again held to raise awareness of water conservation among school students. Students from throughout the Greater Bunbury region submitted 280 photographs depicting the "Water Art" theme and entries were judged by professional photographers. Prizes were awarded to 12 years and under and 13 to 17 years categories with the top photos appearing in the 2019 Aqwest calendar. The calendar is distributed to entrants and participating schools and available free to customers.

Aqwest continued its promotion to customers by highlighting messages in its invoices, including 'Slow the Flow, Save H2O' water saving tips and the latest Aqwest news in the On Tap newsletter.

Average residential water consumption was 243 kilolitres per household during the year, which was below the Aqwest target of 270 kilolitres.

It's encouraging to see our customers becoming more waterwise. Average annual water use per household has been on a decline for the last six years.

### Sponsorship

A number of community groups applied for sponsorship in 2018/19, receiving grants from a funding pool of \$15,000. Sponsorship is open to organisations which are based in the region served by Aqwest, provide a community service, an educational, social, cultural or environmental activity, are managed by a community based committee, are not for profit and are constituted or incorporated.

### Water Week

Free waterwise plants were given out by Aqwest at the Bunbury Markets in October to celebrate National Water Week 2018 and the theme of "Water for Me, Water for All". People chose from a range of waterwise plants suitable for Bunbury conditions, grown by the Leschenault Nursery.



Aqwest Customer Services Officer Melinda Maibaum and Chief Executive Officer Brad Bevis handed out free waterwise plants at the Bunbury Markets to celebrate National Water Week.

Promoting the planting of waterwise seedlings aims to encourage people to plant gardens that don't need as much water to help with water conservation.

There was also the opportunity to enter a competition and win two, \$500 cash prizes by recording meter readings on the first and last days of National Water Week and sending entries into Aqwest.

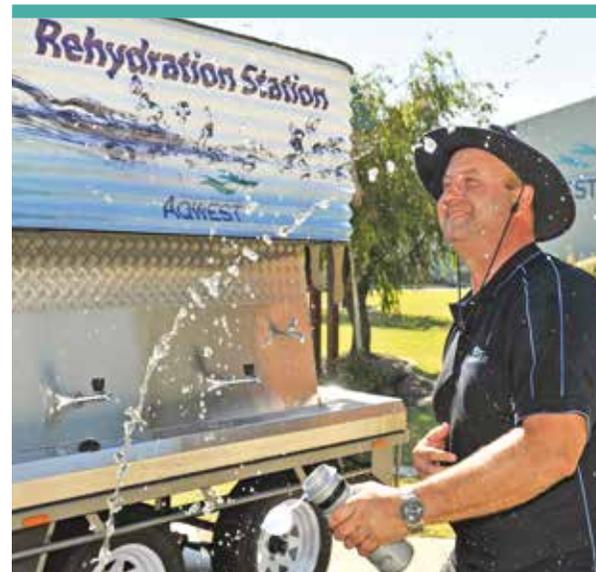


## Rehydration Station

The Aqwest Rehydration Station was used for many community events during summer. The station is available for use by not-for-profit organisations, charities and sporting groups located in the Aqwest water licence area. The 500 litre tank has eight water dispensing points, an ice chest and is refrigerated.

### In 2018/19 it was used by:

- NAIDOC Family Fun Day,
- Women's Fun Run, Bunbury Runners Club
- Tuart Forest Cross Country, Tuart Forest Primary School
- Bunbury Grammar School
- Kids Teaching Kids, Koombana Bay Sailing Club
- Surf to Surf Fun Run, City of Bunbury Surf Lifesaving Club
- Relay for Life
- City of Bunbury Christmas Festival, City of Bunbury
- Skyfest Australia Day Celebrations, City of Bunbury
- Chef's Long Table Lunch
- Bunbury Geographe Gift
- Bunbury Show
- Anzac Day, Bunbury RSL Club
- WA Day Festival, Stirling Street Arts Centre



Aqwest provides glass water bottles for local restaurants, cafes and function centres for free. The water bottles are available from the Aqwest reception.

## Communications

Aqwest keeps customer up to date about its activities with the On Tap newsletter published every four months, through media releases and with weekly Facebook posts. This ensures there are a number of mediums used to reach as many people in the community as possible.



## PHOTOGRAPHY COMPETITION

WATERING ROSTER	
LAST DIGIT OF HOUSE NUMBER*	SCHEME WATER USERS' WATERING DAYS
1	Wednesday and Saturday
2	Thursday and Sunday
3	Friday and Monday
4	Saturday and Tuesday
5	Sunday and Wednesday
6	Monday and Thursday
7	Tuesday and Friday
8	Wednesday and Saturday
9	Thursday and Sunday
0	Friday and Monday

No sprinkler or reticulation use on any day between 9am-6pm.  
The two day restriction does not apply to bore users.  
The 9am-6pm ban applies to all users.

**THE WINNERS WERE:**   
12 Years and Under:

Some of the news this year included the Photography Competition, new directors, the launch of water conservation stickers to place on wheelie bins, the free waterwise plant give-away and competition during National Water Week, community sponsorship recipients and community sponsorship opportunities.

Aqwest also took the opportunity to highlight where Bunbury's water comes from, waterwise tips, the Winter Switch-off campaign, how to read meters to detect leaks, the watering roster and how to apply for financial hardship assistance.

# Corporate Governance





# Corporate Governance Report

This section summarises Aqwest's main corporate governance practices, which provides a framework to ensure it acts with the highest standards of corporate behaviour.

## Key Board Activities

The Aqwest Board of Directors provides leadership and direction to ensure Aqwest achieves excellence when providing services to its customers, completes regulatory and statutory compliance and operates in a responsible and ethical manner within the spirit of relevant legislation and the community it serves.

The Board develops an annual Statement of Corporate Intent (SCI), which outlines objectives and performance targets for the coming year. The Board prepares an annual Strategic Development Plan (SDP), which sets out the economic and financial objectives and operational targets over a five year period.

The Chief Executive Officer is responsible for the achievement of the objectives and targets, set out in the SCI and SDP.

The Board also prepares a Strategic Asset Plan (SAP) that identifies the top priority investment proposals and their strategic justification.

## Governance Framework

The Board has legislative authority under the *Water Corporations Act 1995* to set Aqwest's policies. The Board is responsible for corporate governance, approving strategic direction and budgets.

The Board is provided with performance reports at monthly Board meetings to monitor progress against targets.

## 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.

## Board Charter and Directors' Code of Conduct

The Board Charter incorporates relevant contemporary corporate governance principles and outlines the Board's rules and Directors' roles and responsibilities. The Board Charter includes a Directors' Code of Conduct, which identifies the minimum standards of conduct required of all Directors of Aqwest when carrying out their duties and responsibilities.

Directors agree to be bound by the Charter and the Code.

The Board Charter and Directors' Code of Conduct were reviewed in December 2018.

## Ministerial Directions

The Minister may give direction in writing to the Board of Directors with respect to the performance of its function prescribed by legislation. No directions were received from the Minister during the year.

Ministerial approval is required for transactions that are above a prescribed amount (currently \$25 million), which will amount to a major initiative or are likely to be of significant public interest. No such transactions were made during the year.

## Performance Monitoring and Reporting

In addition to this Annual Report, Aqwest also provided three quarterly reports to the Minister for Water detailing its performance and progress made to fulfil its Statement of Corporate Intent.

A written annual report on compliance with the performance standards specified in the operating licence is also provided to the Economic Regulation Authority.

The Board is provided with monthly performance reports covering a range of performance indicators.

## Changes to the Board

There were a number of changes to the composition of the Board during the year, which have been summarised in the following table:

	Appointments	End of term
Robert Nicholson		27 July 2018
Neville Eastman	Re-appointed to 31 May 2021	
Tresslyn Smith	Appointed to 31 May 2021	

## Board Committees

Committees of the Board that operated during the year ending 30 June 2019 were:

- Audit Committee
- Risk Management Committee
- Salary Review Committee
- Chief Executive Officer Recruitment Sub Committee (from December 2018)

From time to time, the Board convenes working groups to deal with specific strategic issues. The number of Board and committee meetings held, and attended by each Director during this reporting period, is shown in the table below:

	Board Meetings		Audit Committee		Risk Management Committee		Salary Review Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
<b>Number of meetings held</b>	<b>12</b>		<b>4</b>		<b>3</b>		<b>0</b>	
Stan Liaros (Chair)	11	12	3	4	3	3	0	0
Neville Eastman	8	12	4	4	0	0	0	0
Hans Dopheide	10	12	0	0	2	3	0	0
Rob Nicholson	1	1	0	0	0	0	0	0
Wendy Giles	8	12	0	0	0	0	0	0
Patricia Scaffidi	11	12	3	4	0	0	0	0
Tresslyn Smith	11	11	0	0	0	0	0	0

## Salary Review Committee

The Salary Review Committee is chaired by the Board Chair Stan Liaros and includes Directors Neville Eastman and Hans Dopheide. The Committee supports and assists the Board to ensure remuneration and benefit arrangements support the strategic aims of the business while complying with regulatory requirements and satisfying the requirements of Aqwest's owner.

## Risk Management

Aqwest has a mature risk management framework and ensures that the components of the framework are regularly reviewed to deliver continuous improvement in the area of risk management. The Risk Management Policy and Charter are reviewed on an annual basis. This most recently occurred in February/March 2019 with the Board endorsing both documents at their March 2019 meeting.



### Aqwest's risk management objectives are;

1. To ensure that an effective risk management system is in place
2. To adhere to Australian risk management standards (AS/NZS/ISO 31000:2009)
3. To ensure that all employees are made aware of the need to manage risk and to promote a culture of participation in the risk management process
4. To effectively manage risk
5. To ensure that each of the above objectives is achieved on the basis of an assessment of the costs to the business, the benefits of reduced risk and the opportunities offered

### Membership of the Risk Management Committee is as follows:

1. Board Director (Chairperson)
2. Board Chair
3. Chief Executive Officer
4. Manager Corporate Services
5. Manager Water Services

The role of the Risk Management Committee is to determine and communicate policy, objectives, procedures and guidelines and to direct and monitor implementation, practice and performance of risk management throughout Aqwest.

During the financial year Aqwest again tested its Business Continuity and Water Quality Incident Plans using desktop scenario exercises. Apart from being good business practice, such testing is a requirement of the Memorandum of Understanding (MOU) between Aqwest and the Department of Health.

### Audit

Internal audit is an integral part of the corporate governance framework by which Aqwest maintains effective systems of accountability and control at all levels.

The Audit Committee manages Aqwest's internal audit function. This function supports the Audit Committee and the executive group by independently and objectively reviewing the effectiveness of internal control systems. The Audit Committee is chaired by Director Neville Eastman and includes Chair Stan Liaros and Director Patricia Scaffidi.

### The role of the Audit Committee is to assist the Board with reviewing and monitoring its oversight responsibilities, including:

- The integrity of Aqwest's financial statements
- The Board's compliance with legal and regulatory requirements
- Reviewing all audit reports
- The performance of Aqwest's internal audit function and independent internal Auditors

The Audit Committee approved a revised and updated Strategic Internal Audit Plan in 2019. The primary objective of the Strategic Internal Audit Plan is to maximise the efficiency and effectiveness of Aqwest's Internal Audit function. This is achieved by identifying specific areas that pose the greatest risk of undesirable events that could adversely affect the financial and/or non-financial areas of Aqwest.

The methodology used to specifically identify these areas include examining the latest risk register to

identify the operational areas responsible for the highest rated risks (key risks) and reviewing strategic plans to identify those specific operational areas that play a critical role in assisting Aqwest to achieve its key objectives.

### AMD Chartered Accountants carried out the 2019 Strategic Internal Audit, which covered the following areas:

- Property, plant and equipment asset systems
- Project management
- Purchasing and contracts

All recommendations from the audit were endorsed by the Audit Committee and added to the Audit Committee's action list for progression by management.





# Disclosure Requirements

## Record Keeping

Aqwest is 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).

Aqwest's Record Keeping Plan was reviewed in 2014. The review report and amended plan were noted by the State Records Commission on 5 December 2014. The next review of the plan is to be completed by September 2019.

Record keeping training is mandatory for all staff to gain an understanding of their responsibilities and obligations. Training sessions for current employees are available as the need is identified. Requirements for record keeping training are reviewed annually as part of performance appraisal and internal auditing processes.

The record keeping training program was assessed by the Manager Corporate Services via a staff survey. Based on the survey results the program is working well within Aqwest.

New employees receive a face-to-face records management induction that covers the Record Keeping Plan, records procedures and staff responsibilities including the capture of all records in the records management system.

## Public Interest Disclosure (PID)

The *Public Interest Disclosures Act 2003* protects the privacy and confidentiality of both the individual

making a public interest disclosure and the subject of that disclosure.

In June 2019, the Chief Executive Officer provided all staff with training in public interest disclosure.

There were no public interest disclosures in this reporting period.

## Freedom Of Information (FOI)

Aqwest met its obligations under the *Freedom of Information Act 1992* in this reporting period. During the year, one FOI application was received.

Under Section 96 of the Act, Aqwest is required to produce an Information Statement. Its purpose is to provide a description of Aqwest's procedures for giving members of the public access to documents, as well as the types of documents it holds. Aqwest maintained this Information Statement during this reporting period.

## Public Sector Standards And Ethical Codes

Aqwest's Staff Code of Conduct was developed in alignment with the Public Sector Commission guidelines. It details some of the required behaviours of all employees and defines the values for the way Aqwest undertakes its business and relates with each other.

Aqwest's Human Resources Manual has detailed guidelines and processes in place which support the Code.

The Staff Code of Conduct is addressed at induction for all new staff and is published on Aqwest's intranet. Staff are encouraged to read and understand the Staff Code of Conduct and discuss any matter that requires clarification with their supervisor.

In June 2019, the Chief Executive Officer held a refresher session with all staff.

## 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 in the last year are summarised below;

**a) Advertising agencies:** None

**b) Market research organisations:**  
AEC Group - \$5,488

**c) Polling organisations:** None

**d) Direct mail organisations:** None  
(only used for billing of accounts)

**e) Media advertising organisations**

Marketforce - \$2,594

West Australian Newspapers - \$682

Big Fish Media and Events - \$780

Facebook - \$22

# Directors' Report

The Directors of Aqwest present their report for the 12 months ended 30 June 2019.

## Directors

The following were Directors of Aqwest at the date of this report:

- **Mr Stan Liaros (Chair)**  
Director since January 2018
- **Mr Neville Eastman**  
Director since November 2013
- **Mr Hans Dopheide**  
Director since November 2013
- **Dr Wendy Giles**  
Director since January 2018
- **Mrs Patricia Scaffidi**  
Director since January 2018
- **Mrs Tresslyn Smith**  
Director since June 2018

Directors' biographies are shown on page 11.

Directors' meetings and attendance are shown on page 38.

Directors' compensation details are shown on page 43.

## Principal Functions

The principal functions of Aqwest are to:

- Acquire, store, treat, distribute, market and otherwise supply drinking water

- Undertake, maintain and operate any works, system, facilities, apparatus or equipment required for this purpose

There has been no significant change in the nature of Aqwest's functions during this year.

## Operating Results

Aqwest operates in a regulatory framework comprising the Economic Regulation Authority, Department of Water and Environmental Regulation, Department of Treasury and the Department of Health.

During the year, Aqwest supplied 6.308 million kilolitres of water.

Aqwest made a profit before income tax equivalent of \$4.738 million (2018: Profit \$3.983 million). On an after-tax equivalent basis, the profit was \$3.138 million (2018: \$2.591 million).

## Dividends

### a) Dividends paid or declared by Aqwest since the end of the previous financial year:

Aqwest paid a final dividend of \$1.940 million in December 2018 for the year ending 30 June 2018.

### b) Dividends declared after end of year:

After the balance sheet date, the Directors have proposed a final dividend of \$2.614 million for the 2018/19 year, payable on or before 31 December 2019. The financial effect of the dividend has not been

brought to account in the financial statements for the year ended 30 June 2019 and will be recognised in subsequent reports.

Aqwest's dividend payout ratio is 85 per cent.

## 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 and is approved by the Minister.

**There are three Executive staff employed by Aqwest as follows:**

- 1. Chief Executive Officer**
- 2. Manager Water Services**
- 3. Manager Corporate Services**

The compensation package for each position consists of salary and the statutory superannuation guarantee of 9.5%.

The compensation packages for the Chief Executive Officer and Manager Water Services are frozen for the period 28th February 2018 to 30th June 2021 inclusive in accordance with the Salaries and Allowances Act 1975.

The compensation package for the Manager Corporate Services and all other staff is subject to an annual increment of \$1,000.00 in accordance with the Aqwest Enterprise Agreement 2017.



The names and positions of the Executives were:

Executives		Year ended 30 June 2019	Year ended 30 June 2018
Mr Brad Bevis	Chief Executive Officer	√	√
Mr Gary Hallsworth	Manager Water Services	√	√
Mr Joe Smith	Manager Corporate Services	√	√
Mrs Lisa Brockman	Acting Manager Corporate Services (a)	√	√

(a) For the period 05 June 2018 to 30 November 2018.

Executive remuneration fell within the following bands, and is rounded to the nearest one thousand dollars:

Total remuneration band \$	Number of Staff	Salary and fees (a)	Post-employment benefits (b)	Long term benefits (c)	Total
<b>Year ended 30 June 2019</b>					
230,001 - 240,000	1	205,000	28,000	5,000	238,000
180,001 - 190,000	1	182,000	20,000	-	202,000
110,001 - 120,000	1	122,000	13,000	(23,000)	112,000
100,001 to 110,000	1	62,000	7,000	35,000	104,000
<b>Year ended 30 June 2018</b>					
230,001 - 240,000	1	205,000	28,000	-	233,000
180,001 - 190,000	1	193,000	21,000	(28,000)	186,000
160,001 - 170,000	1	143,000	15,000	5,000	163,000
10,001 - 20,000	1	13,000	1,200	-	15,000

(a) Includes reportable superannuation contributions and/or salary sacrificed superannuation.

(b) Superannuation guarantee and movement in the annual accrual of the payout of a portion of accrued personal leave upon termination (available to all Aqwest staff under the current Enterprise Agreement).

(c) Movement in the annual accrual of long service leave and annual leave.





The names and positions of the Directors during the year were:

Directors		Year ended 30 June 2019	Year ended 30 June 2018
Ms Judy Jones	Chair (non-executive)	-	✓
Mr Stan Liaros	Chair (non-executive)	✓	✓
Mr Neville Eastman	Deputy Chair (non-executive)	✓	✓
Mr Hans Dopheide	Director (non-executive)	✓	✓
Mr Edwin Abdo	Director (non-executive)	-	✓
Mr Rob Nicholson	Director (non-executive)	✓	✓
Mr John Barratt	Director (non-executive)	✓	✓
Dr Wendy Giles	Director (non-executive)	✓	✓
Mrs Patricia Scaffidi	Director (non-executive)	✓	✓

Remuneration fell within the following bands, and is rounded to the nearest one thousand dollars:

Total remuneration band \$	Number of Directors	Salary and fees (a)	Post-employment benefits (b)	Total
<b>Year ended 30 June 2019</b>				
20,001 to 30,000	1	25,000	3,000	28,000
10,001 to 20,000	5	61,000	6,000	67,000
0,000 to 10,000	1	1,000	-	1,000
<b>Year ended 30 June 2018</b>				
10,001 to 20,000	4	54,000	6,000	60,000
0,000 to 10,000	5	25,000	3,000	28,000

(a) Sitting fees

(b) Superannuation guarantee

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

**Stan Liaros**  
Chair  
14 August 2019

**Neville Eastman**  
Director  
14 August 2019

# *Financial Report* *2018/19*





## Directors' Declaration

In the opinion of the Directors of Bunbury Water Corporation:

- a) the financial statements and notes are in accordance with the *Water Corporations Act 1995*, including:
- i. giving a true and fair view of the Corporation's financial position as at 30 June 2019 and of its performance, for the financial year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

**Stan Liaros**  
Chair  
14 August 2019

**Neville Eastman**  
Director  
14 August 2019

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
<b>Income</b>			
<b>Revenue</b>			
Water consumption	2.1	9,626,424	8,766,692
Water supply	2.2	4,844,092	4,542,069
Operating subsidy	2.3	738,000	703,000
Developer contributions	2.4	363,342	223,733
Interest revenue	2.5	193,384	195,743
Other revenue	2.6	385,707	554,996
<b>Gains</b>			
Gain on disposal of non-current assets	2.7	11,658	3,746
<b>Total income</b>		<b>16,162,607</b>	<b>14,989,979</b>
<b>Expenses</b>			
Cost of services	3.1	3,276,033	2,929,213
Employee benefits expense	3.2.1	3,884,878	3,855,022
Corporate expenses	3.3	1,753,875	1,654,200
Depreciation & amortisation expense	4.1, 4.2	2,495,052	2,552,835
Finance costs	6.2	13,804	16,088
<b>Total expenses</b>		<b>11,423,642</b>	<b>11,007,358</b>
<b>Profit/(loss) before income tax</b>		<b>4,738,965</b>	<b>3,982,621</b>
Income tax equivalent expense	8.8.1	1,599,858	1,391,711
<b>Profit/(Loss) after income tax</b>		<b>3,139,107</b>	<b>2,590,910</b>
<b>Profit/(loss) for the period</b>		<b>3,139,107</b>	<b>2,590,910</b>

	Note	2019 \$	2018 \$
<b>Other comprehensive income</b>			
<b>Items not reclassified subsequently to profit or loss</b>			
Changes in asset revaluation surplus	8.6.1	-	12,928,260
Gains/(losses) recognised directly in equity	8.6.2	61,302	10,836
Income tax on items of other comprehensive income	8.6.1	229,571	(2,489,805)
<b>Total other comprehensive income</b>		<b>290,873</b>	<b>10,449,291</b>
<b>Total comprehensive income for the period</b>		<b>3,429,980</b>	<b>13,040,201</b>

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

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2019



	Note	2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.3	1,447,832	1,321,048
Other financial assets	6.4	5,005,000	5,225,790
Receivables	5.1	1,501,662	1,355,091
Inventories	5.2	562,081	535,279
Other current assets	5.3	63,993	350,344
<b>Total current assets</b>		<b>8,580,568</b>	<b>8,787,552</b>
<b>Non-current assets</b>			
Property, plant and equipment	4.1	105,976,700	103,569,539
Intangible assets	4.2	53,484	27,380
<b>Total non-current assets</b>		<b>106,030,184</b>	<b>103,596,919</b>
<b>Total assets</b>		<b>114,610,752</b>	<b>112,384,471</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	5.4	2,153,310	1,105,598
Other current liabilities	5.5	72,520	-
Borrowings	6.1	65,133	62,992
Employee related provisions	3.2.2	833,586	800,894
<b>Total current liabilities</b>		<b>3,124,549</b>	<b>1,969,484</b>

	Note	2019 \$	2018 \$
<b>Non-current liabilities</b>			
Employee related provisions	3.2.2	32,399	86,818
Borrowings	6.1	207,574	271,733
Deferred tax liabilities	8.8.2	11,347,369	11,647,998
<b>Total non-current liabilities</b>		<b>11,587,342</b>	<b>12,006,549</b>
<b>Total liabilities</b>		<b>14,711,891</b>	<b>13,976,033</b>
<b>Net assets</b>		<b>99,898,861</b>	<b>98,408,438</b>
<b>Equity</b>			
Reserves	8.6.1	67,113,561	67,472,134
Retained earnings	8.6.2	32,785,300	30,936,304
<b>Total equity</b>		<b>99,898,861</b>	<b>98,408,438</b>

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

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Note	Asset revaluation reserve	Other reserves	Retained profits	Total equity
		\$	\$	\$	\$
<b>Opening balance at 1 July 2017</b>		51,410,193	6,016,761	29,839,621	87,266,575
Total comprehensive income for the year	8.6.1	(2,489,805)	-	2,601,746	111,941
Transfers to reserves	8.6.1	12,928,260	2,633,207	(2,633,207)	12,928,260
Transfers from reserves	8.6.1	-	(3,026,482)	3,026,482	-
<b>Total comprehensive income for the year</b>		<b>61,848,648</b>	<b>5,623,486</b>	<b>32,834,642</b>	<b>100,306,776</b>
<b>Transactions with owners, recorded directly in equity</b>					
Dividends paid	8.7	-	-	(1,898,338)	(1,898,338)
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>(1,898,338)</b>	<b>(1,898,338)</b>
<b>Closing balance at 30 June 2018</b>		<b>61,848,648</b>	<b>5,623,486</b>	<b>30,936,304</b>	<b>98,408,438</b>
<b>Opening balance at 1 July 2018</b>		61,848,648	5,623,486	30,936,304	98,408,438
Total comprehensive income for the year	8.6.1	229,571	-	3,200,409	3,429,980
Transfers to reserves	8.6.1	-	3,879,585	(3,879,585)	-
Transfers from reserves	8.6.1	-	(4,467,729)	4,467,729	-
<b>Total comprehensive income for the year</b>		<b>62,078,219</b>	<b>5,035,342</b>	<b>34,724,857</b>	<b>101,838,418</b>
<b>Transactions with owners, recorded directly in equity</b>					
Dividends paid	8.7	-	-	(1,939,557)	(1,939,557)
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>(1,939,557)</b>	<b>(1,939,557)</b>
<b>Closing balance at 30 June 2019</b>		<b>62,078,219</b>	<b>5,035,342</b>	<b>32,785,300</b>	<b>99,898,861</b>

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019



Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Sale of goods and services	14,377,595	14,066,034
Developer contributions	324,782	229,725
Interest received	186,488	204,999
GST receipts on sales	23,531	20,501
GST receipts from taxation authority	863,903	651,227
Other receipts	385,707	170,635
<b>Payments</b>		
Supplies and services	(7,824,733)	(8,329,480)
GST payments on purchases	(882,565)	(716,669)
<b>Net cash provided by/(used in) operating activities</b>	<b>7,454,709</b>	<b>6,296,972</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of non-current physical assets	110,835	60,909
Purchase of non-current physical assets	(4,963,102)	(3,381,157)
(Purchase)/drawdown of investments	220,790	49,210
<b>Net cash provided by/(used in) investing activities</b>	<b>(4,631,478)</b>	<b>(3,271,038)</b>

Note	2019 \$	2018 \$
<b>Cash flows from financing activities</b>		
Interest paid	(13,582)	(15,875)
Repayment of borrowings	(62,240)	(59,945)
<b>Net cash provided by/(used in) financing activities</b>	<b>(75,822)</b>	<b>(75,820)</b>
<b>Cash flows to State government</b>		
Income tax equivalent	(1,307,844)	(1,469,943)
Local government rate equivalent	(81,250)	(78,956)
Land tax	(29,976)	(29,426)
Dividend	(1,939,557)	(1,898,338)
Operating subsidy	738,000	703,000
<b>Net cash provided to State Government</b>	<b>(2,620,627)</b>	<b>(2,773,663)</b>
Net increase/(decrease) in cash and cash equivalents	126,783	176,451
Cash and cash equivalents at beginning of year	1,321,048	1,144,597
<b>Cash and cash equivalent assets at the end of period</b>	<b>7.1 1,447,832</b>	<b>1,321,048</b>

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

**NOTE 1 – BASIS OF PREPARATION**

Aqwest (Bunbury Water Corporation) is a not-for-profit entity incorporated under the *Water Corporations Act 1995* and domiciled in Australia.

A description of the nature of Aqwest's operations and its principal activities have been included in the 'Overview', which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Directors of Aqwest on 14 August 2019.

**Statement of compliance**

These general purpose financial statements are prepared in accordance with;

- The *Water Corporations Act 1995*;
- Australian Accounting Standards (AAS), the Framework, Statements of Accounting Concepts; and;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The *Water Corporations Act 1995* takes precedence over AAS.

**Basis of preparation**

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention. Certain balances will apply a different measurement basis (such as fair value basis). Where this is the case the different measurement basis is disclosed in the associated note.

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

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

**Judgements and estimates**

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

**NOTE 2 – OUR FUNDING SOURCES**

This section provides additional information about how Aqwest obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this income. The primary income received by Aqwest and the relevant notes are:

	Note	2019 \$	2018 \$
Water consumption	2.1	9,626,424	8,766,692
Water supply	2.2	4,844,092	4,542,069
Operating subsidy	2.3	738,000	703,000
Developer contributions	2.4	363,342	223,733
Interest revenue	2.5	193,384	195,743
Other revenue	2.6	385,707	554,996
Gain on disposal of non-current assets	2.7	11,658	3,746

**2.1 Water consumption**

	2019 \$	2018 \$
Residential consumption	5,924,982	5,491,687
Commercial consumption	4,278,237	3,809,703
Rebates given (a)	(435,721)	(401,232)
Leak allowances (b)	(141,074)	(133,466)
<b>Total water consumption revenue</b>	<b>9,626,424</b>	<b>8,766,692</b>

Revenue from consumption (volume) charges is shown as the amounts levied and billed for the period, including interest on overdue amounts. Revenue is recognised and measured at the fair value of consideration received or receivable.

(a) Rebates are provided on consumption to pensioners and seniors;

(b) Consumption charges written off under Aqwest's ex gratia leak allowance policy.

**2.2 Water supply**

	2019 \$	2018 \$
Residential supply charges	4,007,832	3,767,003
Commercial supply charges	1,153,043	1,086,065
Rebates given (a)	(316,783)	(310,999)
<b>Total water supply revenue</b>	<b>4,844,092</b>	<b>4,542,069</b>

Revenue from supply (service) charges is shown as the amounts levied and billed for the period. Revenue is recognised and measured at the fair value of consideration received or receivable.

(a) Rebates are provided on supply charges to pensioners and seniors.


**2.3 Operating subsidy**

	2019	2018
	\$	\$
Operating subsidy (a)	738,000	703,000
<b>Total operating subsidy</b>	<b>738,000</b>	<b>703,000</b>

(a) Operating subsidies are received from Government for revenue foregone from rebates and concessions to pensioners and seniors on supply and consumption charges. They are recognised in the period in which they are received.

**2.4 Developer contributions**

	2019	2018
	\$	\$
Infrastructure contributions (a)	298,950	218,899
Gifted assets (b)	64,392	4,834
<b>Total developer contributions</b>	<b>363,342</b>	<b>223,733</b>

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, which consist of;

- (a) Infrastructure contributions (commonly known as headworks) – developers are required to make standard cash contributions towards the cost of headworks necessary to provide reticulation services within a subdivision;
- (b) Gifted assets – as a condition of subdivision, developers are required to provide water services to individual blocks. These services are connected to Aqwest's existing reticulation system and handed over to Aqwest free of charge.

**2.5 Interest revenue**

	2019	2018
	\$	\$
Interest from cash and cash equivalents	16,527	19,708
Interest from receivables	33,082	31,890
Interest from other financial assets	143,774	144,145
<b>Total interest</b>	<b>193,384</b>	<b>195,743</b>

Interest revenue is recognised on an accruals basis.

**2.6 Other revenue**

	2019	2018
	\$	\$
Operating Lease Income	62,209	60,716
Connections and building services	308,682	388,107
Other revenue (a)	14,816	106,173
<b>Total other revenue</b>	<b>385,707</b>	<b>554,996</b>

Other revenue is recognised on an accruals basis.

(a) Other revenue includes insurance proceeds, electricity curtailment payments and other miscellaneous revenue received.

**2.7 Gain on disposal of non-current assets**

	2019	2018
	\$	\$
Asset disposals (a)	11,658	3,746
<b>Total gains</b>	<b>11,658</b>	<b>3,746</b>

(a) Assets disposed are non-current physical assets, and comprise of vehicles, office equipment, ICT equipment and small plant. The gain is as follows:

	2019	2018
	\$	\$
Proceeds on disposal	109,808	60,909
Less: cost of disposal (written down value)	(98,150)	(57,163)
<b>Net gain on disposal</b>	<b>11,658</b>	<b>3,746</b>

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the statement of comprehensive income (from the proceeds of sale).

**NOTE 3 – USE OF OUR FUNDING**

This section provides additional information about how Aqwest's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by Aqwest in achieving its objectives and the relevant notes are;

	Note	2019	2018
		\$	\$
Cost of services	3.1	3,276,033	2,929,213
Employee benefits	3.2.1	3,884,878	3,855,022
Employee related provisions	3.2.2	865,985	887,712
Corporate expenses	3.3	1,753,875	1,654,200

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3.1 Cost of services

	2019	2018
	\$	\$
Water storage (a)	288,002	255,791
Water treatment (b)	827,250	856,941
Water distribution (c)	1,065,288	994,529
Electricity	507,506	479,056
Engineering consultancy	477,669	150,668
Other (d)	110,318	192,228
<b>Total cost of services</b>	<b>3,276,033</b>	<b>2,929,213</b>

Expenses are recognised on an accruals basis.

(a) Materials and services relating to reservoir maintenance.

(b) Materials and services relating to treatment plant operations and maintenance, bore operations and maintenance, water sampling and chlorine costs.

(c) Materials and services relating to mains infrastructure and water services maintenance, new connection assets (under \$5,000) and a leak detection program.

(d) Includes fleet running costs and personal protective equipment expenditure.

### 3.2 Employee Benefits

#### 3.2.1 Employee benefits expense

	2019	2018
	\$	\$
Salaries and wages (a)	3,538,957	3,502,402
Superannuation (b)	345,921	352,620
<b>Total employee benefits</b>	<b>3,884,878</b>	<b>3,855,022</b>

(a) **Salaries and wages** – employee expenses include all costs related to employment including salaries and wages, leave entitlements and fringe benefits tax.

(b) **Superannuation** - Aqwest's default fund for defined contribution plans is WA Super. Employees have the option of electing the default fund or another fund 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. Aqwest does not participate in a defined benefits plan and as such, there is no defined benefits superannuation provision.

#### 3.2.2 Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2019	2018
	\$	\$
<b>Current</b>		
Employee benefits provisions		
Annual leave (a)	241,097	229,609
Long service leave (b)	299,753	301,762
Time in lieu (c)	20,265	19,109
Personal leave (d)	205,529	180,788
Other provisions		
Employment on costs (e)	66,942	69,626
<b>Total current provisions</b>	<b>833,586</b>	<b>800,894</b>

	2019	2018
	\$	\$
<b>Non-current</b>		
Employee benefits provisions		
Long service leave (b)	27,632	73,669
Other provisions		
Employment on costs (e)	4,767	13,149
<b>Total non-current provisions</b>	<b>32,399</b>	<b>86,818</b>

Employer superannuation contributions relating to the employee benefits provisions are included within the leave provision. The associated expense is included in Note 3.2.1 'Employee benefits expense'.

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.

(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, and the liability is measured at nominal value.

(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.

The provision for long service leave is calculated at present value as Aqwest does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of



expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement and 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 flows.

(c) **Time in lieu** - liabilities accumulate from flexible working arrangements and rostered days off. They 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, and the liability is measured at nominal value.

(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. 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.

(e) **Employment on-costs** - the settlement of annual leave, long service leave and time in lieu liabilities gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. Employment on-costs are not employee benefits and are recognised as expenses and liabilities when the employment to which they relate has occurred. Employment on-costs are shown at Note 3.3 'Corporate expenses'. The related liability is included in 'Employment on-costs provision'.

	2019	2018
	\$	\$
<b>Employment on-costs provision</b>		
Opening balance	82,775	90,639
Additional / (reversal of) provisions recognised	12,849	15,511
Payments / other sacrifices of economic benefit	(23,916)	(23,375)
<b>Closing balance</b>	<b>71,709</b>	<b>82,775</b>

#### Key sources of estimation uncertainty - long service leave

In calculating Aqwest's long service 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 these provisions.

### 3.3 Corporate expenses

	2019	2018
	\$	\$
Information and communications technology	424,774	421,188
Insurance	162,955	186,692
Property expenses (a)	276,068	231,831
Payroll tax	181,172	189,740
Employee relations (b)	248,421	227,193
Customer relations (c)	257,005	251,103
Audit Fees (d)	51,300	47,270
Other (e)	152,180	99,183
<b>Total corporate expenses</b>	<b>1,753,875</b>	<b>1,654,200</b>

Expenses are recognised on an accruals basis.

(a) Includes land tax \$29,976 (2018: \$29,426) and local government rate equivalent \$81,250 (2018: \$78,956).

(b) Includes training, travel and accommodation, uniforms, recruitment costs and directors remuneration.

(c) Includes Energy and Water Ombudsman fees \$11,175 (2018: \$10,637), billing expenses and public relations consultancy.

(d) Includes Office of the Auditor General (OAG) and strategic internal audit costs.

(e) Includes legal fees and other compliance costs.

#### NOTE 4 - KEY ASSETS

##### Assets that Aqwest utilises for economic benefit or service potential

This section includes information regarding the key assets that Aqwest utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Note	2019	2018
		\$	\$
Infrastructure, property, plant and equipment	4.1	105,976,700	103,569,539
Intangible assets	4.2	53,484	27,379

**4.1 Infrastructure, property, plant and equipment**

	Gross carrying amount	Accumulated depreciation	Carrying amount at start of period	Additions	Disposals	Transfers between categories	Depreciation	Carrying amount at end of period	Gross carrying amount	Accumulated depreciation		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
	01 July 2018										30 June 2019	
Land	5,523,500	-	5,523,500	-	-	-	-	5,523,500	5,523,500	-		
Buildings	3,983,876	(805,453)	3,178,423	163,464	-	-	(88,245)	3,253,642	4,147,341	(893,699)		
Mains	79,802,234	(29,500,063)	50,302,171	786,743	-	-	(963,830)	50,125,084	80,606,978	(30,481,894)		
Treatment plants	23,977,235	(12,282,744)	11,694,491	255,145	-	61,356	(334,728)	11,676,264	24,311,077	(12,634,813)		
Reservoirs	38,975,074	(14,555,978)	24,419,096	319,416	-	-	(624,018)	24,114,494	39,296,175	(15,181,681)		
Bores and pumps	7,385,300	(2,412,021)	4,973,279	524,643	-	27,734	(218,744)	5,306,912	7,937,702	(2,630,790)		
Services	360,768	(50,121)	310,647	22,592	-	-	(17,270)	315,969	383,360	(67,391)		
Plant and equipment	1,912,442	(1,425,326)	487,116	57,182	-	-	(108,420)	435,878	1,969,624	(1,533,746)		
Motor vehicles	730,303	(319,148)	411,155	203,434	(98,150)	-	(86,579)	429,860	743,893	(314,033)		
Office equipment	322,170	(169,779)	152,392	48,443	-	-	(31,463)	169,372	357,118	(187,746)		
Tools	22,775	(20,406)	2,369	-	-	-	(592)	1,777	22,775	(20,998)		
Work in progress	2,114,900	-	2,114,900	2,598,137	-	(89,090)	-	4,623,948	4,623,948	-		
<b>Totals</b>	<b>165,110,578</b>	<b>(61,541,039)</b>	<b>103,569,539</b>	<b>4,979,200</b>	<b>(98,150)</b>	<b>-</b>	<b>(2,473,889)</b>	<b>105,976,700</b>	<b>169,923,491</b>	<b>(63,946,791)</b>		

**Initial recognition**

Items of property, plant and equipment and infrastructure costing \$5,000 or more are recognised as assets. 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 (other than where they form part of a group of similar items which are significant in total).

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.

**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 a property index indicates that the carrying amount may differ materially from the asset's fair value at the end of the reporting period, or at least every 5 years.

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

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

Land under infrastructure is included in Land at fair value, reported under note 4.1 'Infrastructure, 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.

#### Significant assumptions and judgements

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.

#### 4.1.1 Depreciation

	2019	2018
Charge for the period	\$	\$
Buildings	88,245	122,383
Mains	963,830	1,053,400
Treatment plants	334,728	249,301
Reservoirs	624,018	607,618
Bores and pumps	218,744	225,956
Services	17,270	16,475
Plant and equipment	108,420	122,781
Motor vehicles	86,579	93,593
Office equipment	31,463	40,492
Tools	592	593
<b>Total depreciation</b>	<b>2,473,889</b>	<b>2,532,592</b>

As at 30 June 2019, there were no indications of impairment to property, plant and equipment or infrastructure.

#### Finite useful lives

All infrastructure, property, plant and equipment 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 is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

Typical estimated useful lives for the different asset classes for current and prior years are included in the following table:

Asset class	Effective life (years)
Buildings at Fair Value	1 to 80
Mains at Fair Value	1 to 100
Meters at Fair Value	1 to 8
Treatment Plants at Fair Value	1 to 80
Reservoirs at Fair Value	1 to 100
Bores & Pumps at Fair Value	1 to 80
Service Connections as Cost	1 to 30
Plant & Equipment at Cost	1 to 30
Motor Vehicles at Cost	1 to 15
Office Equipment at Cost	1 to 25
Tools at Cost	1 to 5

Land, which is considered to have an indefinite life, is not depreciated as its service potential has not, in any material sense, been consumed during the reporting period.

#### Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. 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.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As Aqwest is not-for-profit, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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 the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

#### 4.2 Intangible assets

Year ended 30 June 2019	Computer Software \$
<b>1 July 2018</b>	
Gross Carrying Amount	718,100
Accumulated amortisation	(690,720)
<b>Carrying amount at start of period</b>	<b>27,380</b>
Additions	47,268
Amortisation expense	(21,163)
<b>30 June 2019</b>	
Gross carrying amount	759,967
Accumulated amortisation	(706,483)
<b>Carrying amount at end of period</b>	<b>53,484</b>

#### Initial recognition

Software that is an integral part of the related hardware is treated as intangible assets. Software that is not an integral part of the related hardware and cost less than \$5,000 is expensed in the year of acquisition.

#### Subsequent measurement

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

#### 4.2.1 Amortisation

	2019 \$	2018 \$
Software	21,163	20,243
<b>Total amortisation for the period</b>	<b>21,163</b>	<b>20,243</b>

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

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset class	Effective life (years)
Software	1 to 5

#### NOTE 5 - OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from Aqwest's operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Note	2019 \$	2018 \$
Receivables	5.1	1,501,662	1,355,091
Inventories	5.2	562,081	535,279
Other current assets	5.3	63,993	350,344
Payables	5.4	2,153,310	1,105,598
Other current liabilities	5.5	72,520	-

#### 5.1 Receivables

	2019 \$	2018 \$
<b>Current</b>		
Trade debtors (a)	1,181,684	1,164,630
GST receivable	126,480	53,893
Sundry debtors	158,629	95,848
Accrued interest	21,414	28,310
Deferred debtors (b)	13,455	12,410
<b>Total receivables</b>	<b>1,501,662</b>	<b>1,355,091</b>

a) Trade debtors includes unbilled income.

b) Deferred debtors are those that are owed by a property owner, but legislation allows the owner to delay payments until the property is sold.

Debtors are recognised and carried at original invoice amount. The collectability of debtors is reviewed on an ongoing basis. The carrying amount of debtors is equivalent to fair value, as the average collection period for outstanding debt is 29 days (as at 30 June 2019).


**5.2 Inventories**

	2019	2018
	\$	\$
Inventories	562,081	535,279
	<b>562,081</b>	<b>535,279</b>

Inventories are classified as held for distribution. They are measured at the lower of cost and net realisable value, 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.

**5.3 Other current assets**

	2019	2018
	\$	\$
<b>Current</b>		
Prepayments	63,993	120,492
Current tax asset	-	229,852
<b>Total other current assets</b>	<b>63,993</b>	<b>350,344</b>

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

**5.4 Payables**

	2019	2018
	\$	\$
<b>Current</b>		
Trade creditors (a)	2,077,441	1,021,623
Accrued salaries and wages (b)	40,116	49,173
Income in advance (c)	35,753	34,802
<b>Total payables</b>	<b>2,153,310</b>	<b>1,105,598</b>

(a) Payables are recognised when Aqwest becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as settlement is generally within 30 days.

(b) Accrued salaries and wages represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries and wages are settled within a fortnight after the reporting period. Aqwest considers the carrying amount of accrued salaries and wages to be equivalent to its fair value.

(c) Aqwest holds long term operating leases for telecommunications tower sites located at its facilities. Lease payments are received on scheduled dates and are generally indexed annually by the Consumer Price Index (CPI). The portion of lease income received in advance relating to a future financial year is shown as income in advance.

**5.5 Other current liabilities**

	2019	2018
	\$	\$
<b>Current</b>		
Current tax liability	72,520	-
<b>Total other liabilities</b>	<b>72,520</b>	<b>-</b>

**NOTE 6 – FINANCING**

This section sets out the material balances and disclosures associated with the financing and cashflows of Aqwest:

	Note	2019	2018
		\$	\$
Borrowings	6.1	272,707	334,725
Finance costs	6.2	13,804	16,088
Cash and cash equivalents	6.3	1,447,832	1,321,048
Other financial assets	6.4	5,005,000	5,225,790
Commitments	6.5		
Non-cancellable operating lease income commitments	6.5.1	478,867	524,213
Operating expenditure commitments	6.5.2	217,340	360,501
Capital expenditure commitments	6.5.3	12,069,004	-

**6.1 Borrowings**

	2019	2018
	\$	\$
<b>Current</b>		
Borrowings	64,159	61,796
Accrued interest	974	1,196
	<b>65,133</b>	<b>62,992</b>
<b>Non-current</b>		
Borrowings	207,574	271,733
	<b>207,574</b>	<b>271,733</b>
<b>Total borrowings</b>	<b>272,707</b>	<b>334,725</b>

'Borrowings' refer to interest bearing liabilities raised from public borrowings through the Western Australian Treasury Corporation (WATC).

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

The measurement basis subsequent to initial recognition is amortised cost using the effective interest method.

**6.2 Finance costs**

	2019	2018
	\$	\$
Interest expense	13,804	16,088
<b>Total finance costs</b>	<b>13,804</b>	<b>16,088</b>

Interest on borrowings from WATC.

**6.3 Cash and cash equivalents**

	2019	2018
	\$	\$
<b>Current</b>		
Cash and cash equivalents	1,447,832	1,321,048
<b>Balance at end of period</b>	<b>1,447,832</b>	<b>1,321,048</b>

For the purpose of the statement of cash flows, cash and cash equivalent assets comprise cash at bank, petty cash and cash floats.

**6.4 Other financial assets**

	2019	2018
	\$	\$
<b>Current</b>		
Held-to-maturity investments	5,005,000	5,225,790
<b>Balance at end of period</b>	<b>5,005,000</b>	<b>5,225,790</b>

Initial recognition and measurement of financial instruments is at fair value, which normally equates to the transaction cost or face value, as the effect of discounting is not material.

Held-to-maturity investments have been classified as current 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.

**6.5 Commitments**
**6.5.1 Non-cancellable operating lease income commitments**

	2019	2018
	\$	\$
Commitments for the minimum lease payments receivable are as follows:		
Within 1 year	25,112	45,347
Later than 1 year but not later than 5 years	106,884	104,277
Later than 5 years	346,871	374,590
<b>Total receivable</b>	<b>478,867</b>	<b>524,213</b>

**Judgements made by management in applying accounting policies – operating lease commitments**

Aqwest holds long term operating leases with a number of telecommunications providers for telecommunications towers located on Aqwest sites. Payments are receivable annually, with an option to renew the lease upon expiry.

**6.5.2 Operating expenditure commitments**

	2019	2018
	\$	\$
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:		
Within 1 year	132,606	181,892
Later than 1 year but not later than 5 years	84,734	178,609
Later than 5 years	-	-
<b>Total payable</b>	<b>217,340</b>	<b>360,501</b>



### 6.5.3 Capital expenditure commitments

	2019	2018
	\$	\$
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	12,069,004	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
<b>Total payable</b>	<b>12,069,004</b>	<b>-</b>

### NOTE 7 - FINANCIAL INSTRUMENTS AND CONTINGENCIES

	Note
Financial instruments	7.1
Contingent assets	7.2
Contingent liabilities	7.3

### 7.1 Financial instruments

	2019	2018
	\$	\$
The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:		
<b>Financial assets</b>		
Cash and cash equivalents	1,447,832	1,321,048
Receivables (a)	1,375,182	1,301,198
Held to maturity investments	5,005,000	5,225,790
	<b>7,828,014</b>	<b>7,848,036</b>
<b>Financial liabilities</b>		
Payables (b)	2,117,557	1,070,796
Borrowings	272,707	334,725
	<b>2,390,264</b>	<b>1,405,521</b>

(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.

### 7.2 Contingent assets

As at 30 June 2019, there are no material contingent assets to report.

### 7.3 Contingent liabilities

As at 30 June 2019, there are no material contingent liabilities to report.

### NOTE 8 - OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Note
Events occurring after the end of the reporting period	8.1
Initial application of Australian Accounting Standards	8.2
Key management personnel	8.3
Related party transactions	8.4
Remuneration of auditors	8.5
Equity	8.6
Dividends	8.7
Income tax equivalent	8.8

#### 8.1 Events occurring after the end of the reporting period

There have been no events subsequent to reporting date which would have a material effect on Aqwest's financial statements at 30 June 2019.

#### 8.2 Initial application of Australian Accounting Standards

#### AASB 9 Financial instruments

AASB 9 Financial instruments replaces AASB 139 Financial instruments: Recognition and Measurement for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Aqwest applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, Aqwest has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in Accumulated surplus/(deficit).

### (a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: Aqwest business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. The assessment of the Aqwest business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact to Aqwest. The following are the changes in the classification of the Aqwest financial assets:

- Receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- Aqwest did not designate any financial assets as at fair value through P/L.

In summary, upon the adoption of AASB 9, Aqwest had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 category	AASB 9 Category		
	Amortised cost \$	Fair value through OCI \$	Fair value through P/L \$
Receivables	1,272,888	-	-

### (b) Impairment

The adoption of AASB 9 has fundamentally changed the Aqwest's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires Aqwest to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

Upon adoption of AASB 9, the effect was not considered to be material, therefore no adjustments were made.

### 8.3 Key management personnel

Aqwest has determined that key management personnel include the responsible Minister, board directors and senior officers of Aqwest. However, Aqwest is not obligated to compensate the responsible Minister and therefore disclosures in relation to Ministers' compensation may be found in the Annual Report on State Finances.

Total compensation for key management personnel, comprising directors and senior officers of Aqwest for the reporting period are presented within the following bands:

### a) Compensation of directors

	2019 \$	2018 \$
0,000 - 10,000	1	5
10,001 - 20,000	5	4
20,001 - 30,000	1	-
	7	9
<b>Total compensation</b>		
Short term employee benefits	87,019	79,663
Post-employment benefits	9,137	8,365
Other long term benefits	-	-
Termination benefits	-	-
	96,156	88,028

### b) Compensation of senior officers

Compensation band (\$)	2019 \$	2018 \$
10,001 - 20,000	-	1
100,001 - 110,000	1	-
110,001 - 120,000	1	-
160,001 - 170,000	-	1
180,001 - 190,000	-	1
200,001 - 210,000	1	-
230,001 - 240,000	1	1
	4	4
<b>Total compensation</b>		
Short term employee benefits	570,673	553,284
Post-employment benefits	67,631	64,197
Other long term benefits	17,800	(21,114)
Termination benefits	-	-
	656,104	596,367



#### 8.4 Related party transactions

Aqwest is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, Aqwest is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to State.

##### Related parties of Aqwest include:

- a. All Ministers and their close family members, and their controlled or jointly controlled entities;
- b. All senior officers and their close family members, and their controlled or jointly controlled entities;
- c. Other departments and public sector entities, including related bodies included in the whole of government consolidated financial statements; and
- d. Associates and joint ventures that are included in the whole of government consolidated financial statements.

##### Significant transactions with government related entities

Aqwest considers significant transactions to be those above \$30,000. Significant transactions include:

- a. Dividend payment – note 8.7;
- b. Income tax equivalent payment – note 8.8;
- c. Operating subsidy – note 2.3;
- d. Local government rate equivalent - note 3.3;
- e. Land tax – note 3.3;
- f. Energy and Water Ombudsman charges – note 3.3;
- g. Payroll tax – note 3.3;
- h. Insurance – note 3.3.

##### Material transactions with other related parties

Outside of normal citizen type transactions with Aqwest, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

#### 8.5 Remuneration of auditors

	2019	2018
	\$	\$
Remuneration paid or payable to the Office of the Auditor General (OAG), in respect of the audit for the current financial year is as follows:		
Auditing the accounts and financial statements	39,382	38,800
	39,382	38,800

#### 8.6 Equity

##### 8.6.1 Reserves

Aqwest maintains the following reserves:

	2019	2018
	\$	\$
<b>Capital cash reserve</b>		
Balance at start of period	5,623,486	6,016,761
Transfers to reserve	3,879,585	2,633,207
Transfers from reserve	(4,467,729)	(3,026,482)
<b>Balance at end of period</b>	<b>5,035,342</b>	<b>5,623,486</b>
<b>Asset revaluation reserve</b>		
Balance at start of period	61,848,648	51,410,193
Gains/(losses) from asset revaluation	-	12,928,260
Tax effect of revaluation (increments)/decrements	229,571	(2,489,805)
<b>Balance at end of period</b>	<b>62,078,219</b>	<b>61,848,648</b>
<b>Total reserves</b>	<b>67,113,561</b>	<b>67,472,134</b>

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 4.1 'Infrastructure, property plant and equipment'.

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.

##### 8.6.2 Retained earnings

	2019	2018
	\$	\$
Balance at start of period	30,936,304	29,839,621
Result for the period	3,139,107	2,590,910
Income/(expense) recognised directly in equity (a)	61,302	10,836
Transfers to reserves	(3,879,585)	(2,633,207)
Transfers from reserves	4,467,729	3,026,482
Dividends paid	(1,939,557)	(1,898,338)
<b>Balance at end of period</b>	<b>32,785,300</b>	<b>30,936,304</b>

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

#### 8.7 Dividends

	2019	2018
	\$	\$
The following dividends were declared and paid by Aqwest for the year ended 30 June:		
Final dividend payment for the prior year	1,939,557	1,898,338
	1,939,557	1,898,338

**Dividends not recognised at year end.**

Dividends are recognised as a liability in the period in which they are declared.

Aqwest pays a dividend of 85% on operating profit after tax (less gifted assets income).

Since year end no dividend has yet been declared to be paid. The aggregate amount of the proposed dividend expected to be paid by 31 December 2019 out of retained profits at 30 June 2019 is \$2.614 million, but not recognised as a liability at year end.

**8.8 Income tax equivalent**
**8.8.1 Income tax expense**
**a) Recognised in profit or loss**

	2019	2018
	\$	\$
<b>Current</b>		
Current income tax charge	1,609,614	1,431,348
Under/(over) provisions in prior periods	-	(56,990)
<b>Deferred</b>		
Relating to origination and reversal of temporary differences	(9,756)	17,353
<b>Total income tax expense</b>	<b>1,599,858</b>	<b>1,391,711</b>

**b) Recognised in comprehensive income**

	2019	2018
	\$	\$
<b>Deferred</b>		
Fair value adjustments to property, plant and equipment	(290,873)	2,478,969
<b>Total income tax expense</b>	<b>(290,873)</b>	<b>2,478,969</b>

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

	2019	2018
	\$	\$
Profit before income tax equivalents	4,738,965	3,982,621
Tax at the statutory rate of 27.5% (2018: 27.5%)	1,303,215	1,095,221
Under/(over) provisions in prior periods	-	(56,990)
Tax effects of amounts which are not deductible in calculating taxable income	2,113	5,567
Temporary differences now brought to account	294,530	347,913
<b>Income tax expense reported in Statement of Comprehensive Income</b>	<b>1,599,858</b>	<b>1,391,711</b>

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

**8.8.2 Deferred tax liability**

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	Net
2019	\$	\$	\$
Fair value adjustments to infrastructure, property, plant and equipment	-	11,504,120	11,504,120
Interest receivable	-	5,889	5,889
Deferred developer contributions	-	73,079	73,079
Employee entitlements	(235,719)	-	(235,719)
<b>Tax (assets)/liabilities</b>	<b>(235,719)</b>	<b>11,583,088</b>	<b>11,347,369</b>
Set off of tax	235,719	(235,719)	-
<b>Net tax liabilities</b>	<b>-</b>	<b>11,347,369</b>	<b>11,347,369</b>



Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	Net
2018	\$	\$	\$
Fair value adjustments to infrastructure, property, plant and equipment	-	11,800,591	11,800,591
Interest receivable	-	7,785	7,785
Deferred developer contributions	-	81,316	81,316
Employee entitlements	(241,694)	-	(241,694)
<b>Tax (assets)/ liabilities</b>	<b>(241,694)</b>	<b>11,889,692</b>	<b>11,647,998</b>
Set off of tax	241,694	(241,694)	-
<b>Net tax liabilities</b>	<b>-</b>	<b>11,647,998</b>	<b>11,647,998</b>

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.

	Balance 1 July 2018	Recognised in income	Recognised in equity	Balance 30 June 2019
	\$	\$	\$	\$
<b>Movement in temporary differences during the year:</b>				
Fair value adjustments to infrastructure, property, plant and equipment	11,800,591	(5,598)	(290,873)	11,504,120
Interest receivable	7,785	(1,896)	-	5,889
Deferred developer contributions	81,316	(8,237)	-	73,079
Employee entitlements	(241,694)	5,975	-	(235,719)
<b>Total movement</b>	<b>11,647,998</b>	<b>(9,756)</b>	<b>(290,873)</b>	<b>11,347,369</b>



## Auditor General

To the Parliament of Western Australia

### BUNBURY WATER CORPORATION

#### Opinion

I have audited the financial report of Bunbury Water Corporation (the Corporation), which comprises the Statement of Financial Position as at 30 June 2019, 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, and the Directors' declaration.

In my opinion, the financial report of Bunbury Water Corporation is in accordance with schedule 3 of the Water Corporations Act 1995 including:

- (a) giving a true and fair view of the Corporation's financial position as at 30 June 2019 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Corporation in accordance with the Auditor General Act 2006 and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibility of the Directors for the Financial Report

The Directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and schedule 3 of the Water Corporations Act 1995. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

#### Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Bunbury Water Corporation for the year ended 30 June 2019 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 report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial report. If users of the financial report are concerned with the inherent risks arising from publication on website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

**SANDRA LABUSCHAGNE**  
**DEPUTY AUDITOR GENERAL**  
 Delegate of the Auditor General for Western Australia  
 Perth, Western Australia  
 20 August 2019





5 MacKinnon Way  
Bunbury WA 6230  
P: (08) 9780 9500  
E: [aqwest@aqwest.com.au](mailto:aqwest@aqwest.com.au)  
[www.aqwest.com.au](http://www.aqwest.com.au)

**OUR PURPOSE:** Maximise value to the owner and customer by providing locally managed water services  
**OUR VISION:** To be an independent, viable and competitive water utility in the Western Australian water industry