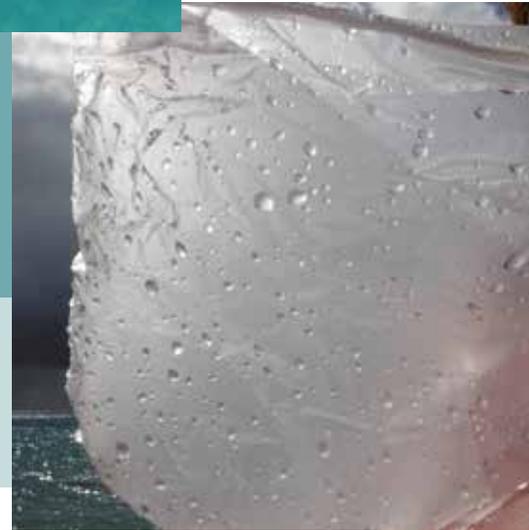
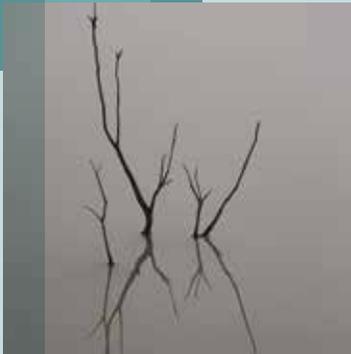




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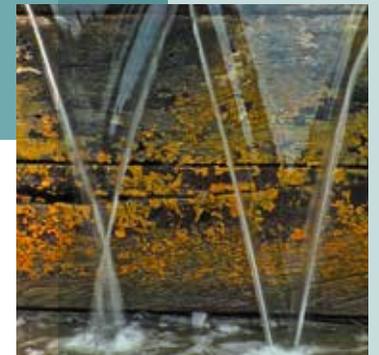
OUR PURPOSE: To provide competition in the totality of water services to be managed locally and to provide value to the owner and the customer.

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



ANNUAL REPORT 2016

www.aqwest.com.au





Purpose

To provide competition in the totality of water services to be managed locally and to provide value to the owner and the customer.

Vision

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

Guiding Principles

- Committed to service excellence
- Customer and community focused
 - Striving for innovative solutions
- Determined to be an employer of choice

Values

- Integrity
- Accountability
- Transparency

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Welcome to the Aqwest 2015/16 Annual Report



The Minister for Water the Hon Mia Davies MLA and South West MLC Colin Holt visited Aqwest during the year and met with Chief Executive Officer Brad Bevis, Water Services Manager Gary Hallsworth, Chairman Judy Jones, Board Directors John Barratt and Neville Eastman and Finance Manager Joe Smith.

The 2016 Annual Report is a review of Aqwest's performance for the financial year ended 30 June 2016.

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 Mia Davies MLA and is tabled in the Parliament of Western Australia.

The objective of this report is to provide Aqwest's owner, the State Government, customers, community and stakeholders with information about Aqwest's operational and financial performance for the 2015/16 financial year.

This report and past annual reports can be found at www.aqwest.com.au

For customer enquiries or feedback about our services, email aqwest@aqwest.com.au.

Activ Property Care are engaged by Aqwest for maintenance of the grounds around its facilities.



Aqwest Highlights 2015/16

FORWARD PLANNING

Aqwest submitted a business case for the construction of a new water treatment plant in Glen Iris.

This is part of Aqwest's medium term plan to relocate production away from the sensitive seawater/freshwater interface of the Yarragadee Aquifer.

WATER QUALITY

Aqwest complied with the Australian Drinking Water Guidelines and achieved 100% microbiological compliance.

RESERVOIR REFURBISHMENT

The third stage of a five year refurbishment project was completed on the Tech Reservoir in College Grove, which is Aqwest's largest potable water storage facility. \$1.1 million was spent on ongoing joint repairs and grouting of the foundations.



Worksafe WA Commissioner Lex McCulloch presented Aqwest with its second Worksafe Platinum Certificate of Achievement.

REVENUE

Aqwest's financial strength has improved from prior years. This is a result of the water price increases required to cover growing costs, and from growth in development activity. Aqwest reported a profit after tax of \$3.14 million.

SAFETY

Aqwest received its second Worksafe Platinum Certificate of Achievement, recognising outstanding management of safety and health in the workplace and contribution to the reduction of work related injury and disease in WA.

Chief Executive Officer's Report



FINANCIAL PERFORMANCE

Financial performance for 2015/16 was acceptable with total revenue exceeding budget by approximately 5%. Total expenses were approximately 2% above budget.

- Budgeted Operating Profit after Tax = \$2.9m.
- Actual Operating Profit after Tax = \$3.1m.
- 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. A quarterly report was provided to the Minister for each of the first three quarters of the financial year as required by the *Water Corporations Act 1995*.

PERFORMANCE INDICATORS

The Board has five key performance indicators and 19 management indicators. All five key performance indicators achieved their target in 2015/16.

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).

The Board of Aqwest identifies water quality as one of its five key performance indicators with a target to achieve 100 per cent microbiological compliance in seven out of seven water quality zones. This target has again been achieved in 2015/16 and for every year over the past decade.

WATER PRICING

There was again an increase in water prices in 2015/16 in line with the recommendations made by the Economic Regulation Authority (ERA) in its most recent Inquiry into Tariffs. The Inquiry recommended prices for each of the three (3) year period ending 30th June 2016. The ERA's recommended pricing is based on the recovery of costs. To ensure the long term viability of the business, it is essential that costs are recovered.

The Board provided consumption and supply fee rebates in excess of \$830,000 to pensioners and seniors customers in 2015/16.

HUMAN RESOURCES

A strategic workforce planning consultancy was engaged during the year to deliver on a comprehensive scope of works and provide ongoing support in the areas of human resources management and workforce planning. The Board remains committed to providing an environment that allows all employees the opportunity to thrive. The annual staff attitudinal survey was again conducted.

The Board currently has one trainee in the water treatment area. A trainee in the administration area successfully completed her term during the year. It is intended to employ a replacement trainee in the administration area during the next financial year. The staff services program continues to provide tangible benefits.

Attendance at industry conferences including VicWater 15 and OzWater 16 is actively encouraged. Such conferences provide relevant staff and Directors with the opportunity to expand their

knowledge of the Australian water industry, therefore delivering better outcomes for Aqwest.

KEY RELATIONSHIPS

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

WATER QUALITY

Aqwest consistently provides drinking water that meets and exceeds 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, Hunter Water Australia 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.

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 service. Also to those staff who make an effort in their own time and sometimes at their own expense to make Aqwest a better place to work – thank you.



Brad Bevis
Chief Executive Officer
Aqwest

Board Chairman's Report

BOARD OF DIRECTORS

During the year the following appointments and reappointments to the Board were made on the recommendation of the Minister for Water:

- Neville Eastman was re-appointed as a Director and Deputy Chairperson for a three (3) year term expiring 31 May 2018.
- Robert Nicholson was re-appointed as a Director for a three (3) year term expiring 31st May 2018.
- John Barratt was appointed for the balance of a term expiring on 31 May 2017.

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 of the Board to consider Board level risks. Board Directors actively participate in the Risk Management, Audit Committee and any Board appointed committee formed to address specific short term issue. Board Directors attend relevant water industry forums to increase their overall knowledge of the Australian water industry.

A Strategic Planning Workshop involving all Directors was held in October 2015.

MINISTERIAL STATEMENT OF EXPECTATION FOR AQWEST

In correspondence dated November 2015 the Minister for Water requested Aqwest, in collaboration with the Department of Water where relevant, to focus on the following areas:

1. The need to continue to engage with customers around the delivery of services.
2. Participate in improving coordination and collaboration with agencies across the water portfolio, and other Government stakeholders, to better achieve desired outcomes.
3. Consideration of social and environmental outcomes when making decisions.

The Board is cognisant of these requirements and is hopeful that tangible improved outcomes can be progressed and ultimately demonstrated in each of these areas.

MINISTER'S VISIT TO AQWEST

The Minister for Water, the Hon Mia Davies MLA, met with the Board Chairman, Directors and Executive Staff at Aqwest in early June 2016. It proved to be an excellent opportunity to discuss the agreed directions detailed in key corporate

planning documents and to provide the Minister with an on the spot progress report in regards to the Glen Iris Water Treatment Plant Business Case, Dalyellup Water Supply Business Case and the exciting potential business expansion opportunity at the future city of Wanju.

BUSINESS DEVELOPMENT

The Glen Iris Water Treatment Plant Business Case was submitted during the year and will be considered by Government as part of the 2017/18 budget deliberations. A key direction in Aqwest's 2015/16 Statement of Corporate Intent (SCI) was to develop a business case to expand the provision of water supplies to Dalyellup for consideration by the State Government. The development of this business case will be ongoing through 2016/17.

An exciting potential opportunity for the future expansion of Aqwest exists at the proposed city of Wanju. Wanju is being promoted by the Shire of Dardanup and Department of Planning as Western Australia's newest urban expansion area. It is set on 1,245 hectares of farmland north of Bunbury in the Shire of Dardanup. Aqwest has provided a formal submission on the Wanju Draft District Structure Plan.

Adjacent to Wanju is the proposed Waterloo Industrial

Park. It is expected that the Wanju and Waterloo District Structure Plans will be finalised in 2017. It has been predicted that development could commence in 2021 at an average planned rate of six hundred (600) dwellings per year.

Whilst it is relatively early days and a finalised Structure Plan is not yet available, Aqwest intends to explore all opportunities to potentially provide potable water, wastewater and recycled water services.

NATIONAL PERFORMANCE REPORT FOR URBAN WATER UTILITIES 2014/15

The National Performance Report for urban utilities for 2014/15 was released in March 2016. The report is prepared by the Bureau of Meteorology. It compares water service provider performance. Aqwest compares well against similar size water utilities throughout Australia.

SAFETY

A WorkSafe Plan Audit was conducted during the financial year. The audit resulted in numerous recommendations with Aqwest again qualifying for a WorkSafe Platinum Certificate of Achievement.

This is the highest level WorkSafe safety award in Western Australia.

CLOSING

Thank you to all Directors and Executive Staff for your support and willingness to go the extra yard in 2015/16. We are indeed fortunate to have such a wonderful spread of skills and experience. The key relationships developed and support received from a whole range of stakeholders since our inception in 1906 are highly valued – thank you. Aqwest looks forward to continuing to provide a high quality reliable water supply without fuss or fanfare for many years to come.

J. M. Jones

**Judy Jones
Chairman
Bunbury Water Corporation**



The Aqwest Board



Ms Judy Jones (Chairman)

Judy Jones is a City of Bunbury Councillor, Chairman of Alliance Housing and Chairman of the Bunbury-Harvey Regional Council, a joint venture between the City of Bunbury and the Harvey Shire Council, convened to manage the

Stanley Road landfill site. Ms Jones is also a member of the Bunbury Cemetery Board, Bunbury Aged Persons Housing Collective Inc, Stirling Street Arts Centre Board and the South West Regional Roads Group.



Mr Hans Dopheide

Hans Dopheide is the Manager of Energy and Infrastructure within the supply team of South32. This role manages the portfolio of oil, gas, pipeline, coal, power, water and power plant arrangements for the South32

Australia region. He has a wealth of experience in operations, maintenance, construction, commercial contracts, developing power plants and working with government. He has a particular interest in environmental issues. Mr Dopheide has worked

extensively in the utility, energy and infrastructure environment. This places him in a good position to be able to effectively contribute to Aqwest from a business, strategic, regulatory and engineering standpoint.



Mr Edwin Abdo

Edwin Abdo is a retired Bunbury solicitor and has served on many committees and boards, including the Bunbury Rotary Club, and is a former member of the Law Society of WA and the Australian and New Zealand

College of Notaries. Mr Abdo has a keen interest in the availability and efficient use of water in Western Australia and a good knowledge of relevant legislation.



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. Mr Eastman was previously a member of the Bunbury Port Authority for 10 years.



Mr Rob Nicholson

Robert Nicholson is an architect who was previously a member of the Bunbury Water Board from 1996 to 2001. As a Bunbury resident since the 1980s, he has had a particular interest in the efficient running of Aqwest and

the development of contemporary water policy. He is also keen to maintain the current high water quality standards.

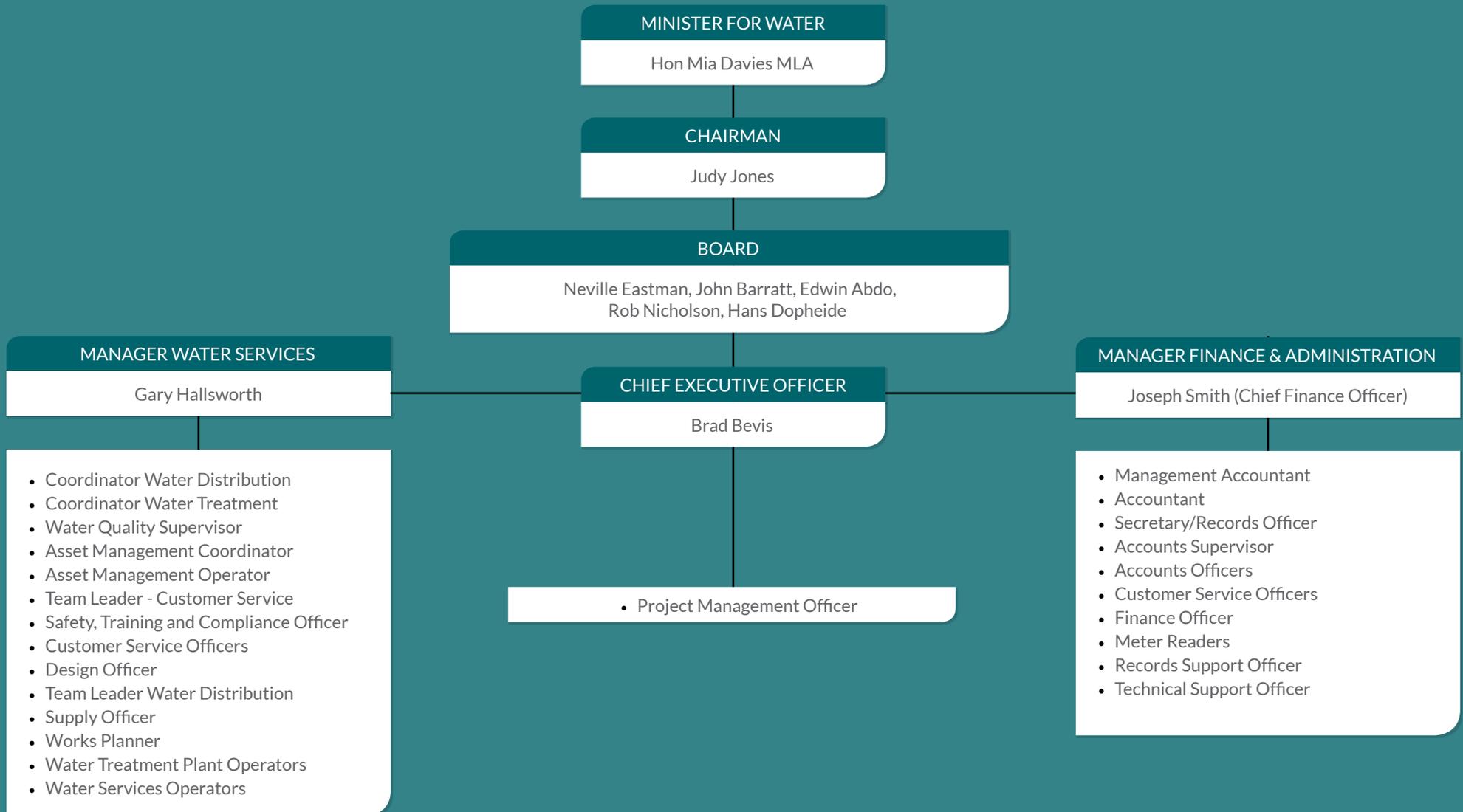


Mr John Barratt

Mr Barratt is a Fellow of the Certified Practising Accountants. Mr Barratt has been a resident of Bunbury for 27 years and has a strong interest in corporate governance and the reliable and cost effective delivery of fresh

water to Bunbury residents. He was previously Chief Financial Officer of the Bunbury Port Authority for 23 years and is a former director of the Collie Miners Credit Union.

CORPORATE STRUCTURE





Aqwest's People and Culture

Aqwest has a Board and an Executive team which determine policies and ensure water services are provided in accordance with the *Water Corporations Act 1995*.

Aqwest believes its people are its most important asset and aims to be an employer of choice, providing a healthy and supportive work environment. The Directors and Executive Team strive to achieve this in all levels of the business.

A number of benefits are provided to staff as part of their employment conditions including annual skin cancer screening, flu shots and an employee assistance program.

Aqwest has 39 staff including full-time, part-time and casual.

PROFESSIONAL DEVELOPMENT

All employees are encouraged to increase their knowledge and skills and take part in professional development training. The majority of staff in the

water services area have obtained a Certificate III in Water Services or are working towards the qualification.

In January 2016 Aqwest's Administration Trainee Morganne Chapman successfully completed her Certificate III in Business.

Five staff celebrated employment milestones in 2015/16, including Accounts Officer – database Gail Falloon (10 years), Customer Service Officer Karen O'Connor (5 years), Asset Maintenance Officer Anthony Bertelli (5 years), Coordinator Water Distribution Tim Williams (5 years) and Customer Service Officer Julie-Anne Richards (5 years).

STAFF SURVEY

Aqwest undertakes an annual staff attitudinal

survey to monitor employee satisfaction. This survey has been run since 1994 and a change of methodology was introduced in 2013. This is the fourth survey using the new methodology.

The overall average score for 2016 was 3.52, just above the target of 3.5, but lower than previous years. For the first time this year, comparisons were available against more than 1500 international companies.

Aqwest staff consistently agreed with many of the statements in the survey. This included: "My organisation has a safe work environment". Others related to workplace engagement, environment and relationships. Aqwest also performed above the median of all companies in some areas of working conditions and training.

The areas where Aqwest performed below target will be addressed by the Executive Team.



Statement of Corporate Intent Directions in 2015/16

The Board addressed the four (4) identified key directions in the Statement of Corporate Intent for 2015/16 as follows:

1	Maintain an ongoing focus on our core business of providing sustainable high quality water services	Achieved.
2	Finalise the business case for the Glen Iris Water Treatment Plant for Government consideration	Achieved.
3	Develop a business case for consideration by the State Government to expand the provision of water supplies to Dalyellup	The development of this business case will be ongoing in 2016/17.
4	Respond to any demand to provide bulk water services	One (1) short term bulk water supply agreement was negotiated for the summer of 2015/16.

Financial Summary

Aqwest reported an operating profit before tax of \$5.07 million in 2015/16, following an operating profit of \$3.58 million the previous year. Total income increased by \$1.92 million in 2015/16.

The largest contribution to income was water supply and consumption charges at \$14.26 million or 88

per cent of total income received. This was primarily driven by tariff increases.

There were also higher levels of land development and building activity and the receipt of operating subsidies from the State Government.

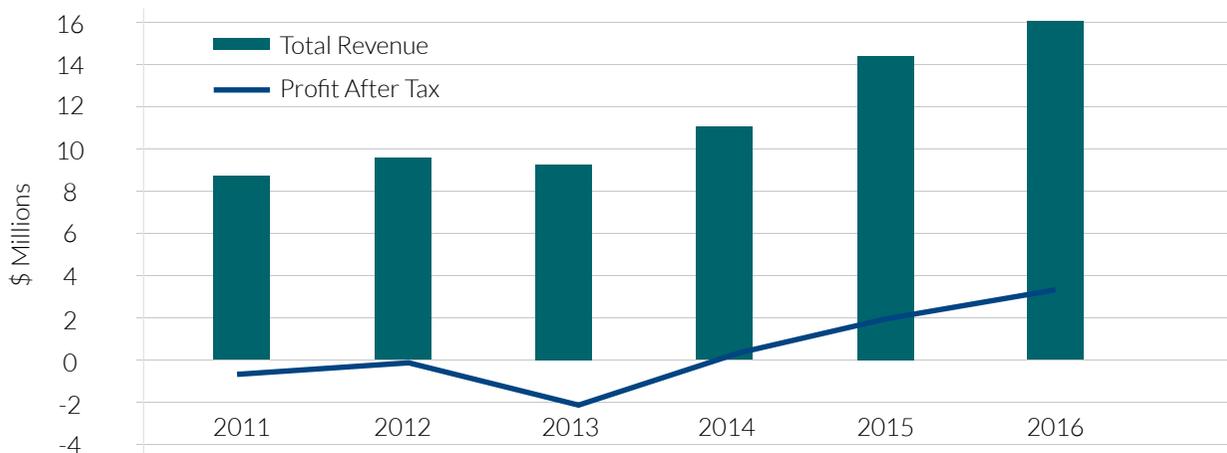
Despite recent increases, Aqwest's tariffs continue

to be among the lowest in Australia.

Total operating expenditure increased by \$0.39 million in 2015/16. This resulted in Aqwest achieving its efficiency target of less than six per cent operating cost increase per property. An increase of 3.7 per cent was recorded.

Aqwest recorded a 7.4% increase in operating cost per megalitre (ML) produced.

REVENUE VS PROFIT AFTER TAX



INVESTING IN INFRASTRUCTURE

Aqwest's capital investment program benefits the community and the industry partners which assist in construction, maintenance and operations works. A \$2.59 million capital investment program was delivered in 2015/16.

DEBTS 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 2015/16.

SUPPORTING THE REGION

Aqwest has 39 employees living and working in regional Western Australia, providing water services to customers. In 2015/16, Aqwest's asset value was more than \$88 million.

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 \$1.93 million will be paid for the 2015/16 year.

Aqwest is required to pay a dividend of 65 per cent of after-tax profits (excluding developer take-over asset contributions) to the State Government.

A final dividend of \$1.218 million was paid in December 2015 for the year ending 30 June 2015.

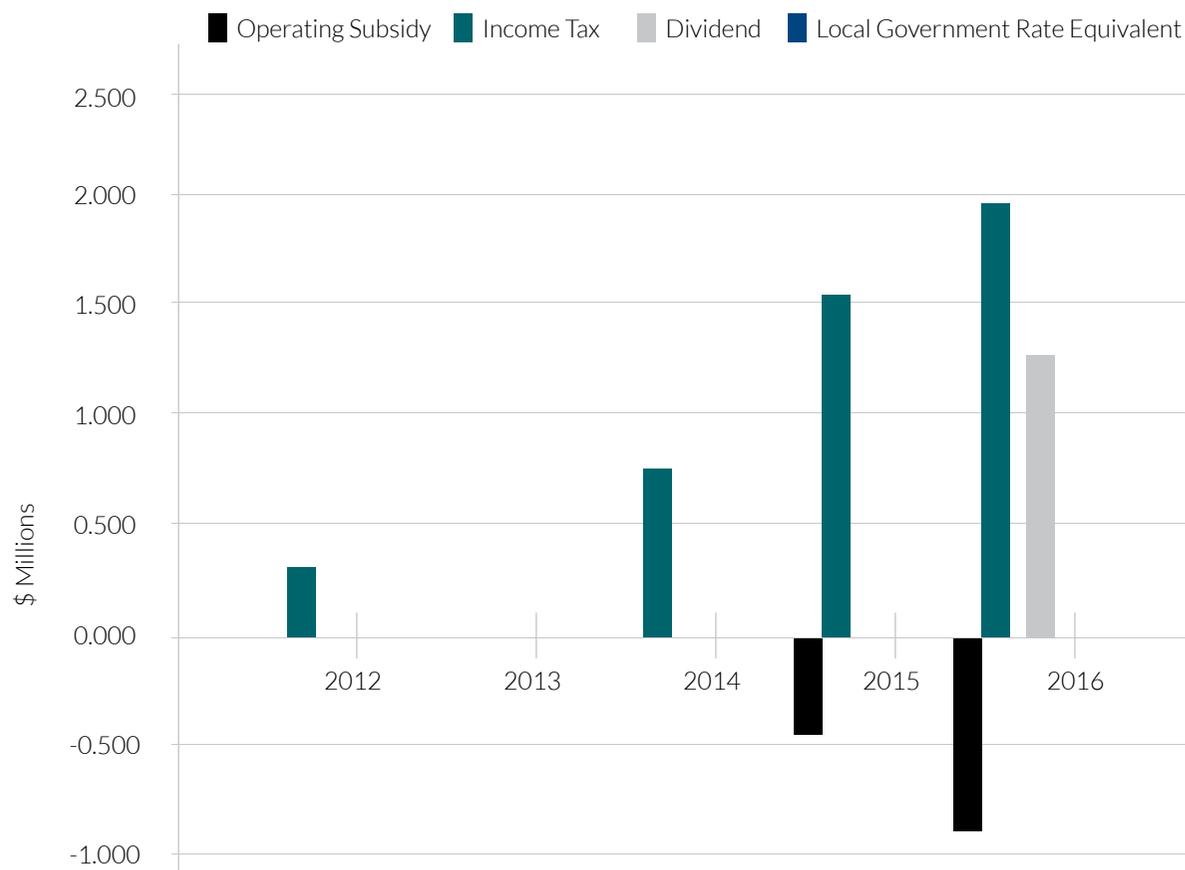
A local government rate equivalent of \$41K was also paid in 2015/16.

Aqwest received operating subsidies from the State Government of \$0.811 million for the 2015/16 year.

The Net Accrual to Government (NATG) is the amount remaining when Operating Subsidies are offset against the tax, dividend and local government rate equivalent payments to Government.

The NATG for 2015/16 is \$2.38 million. Components are shown in the chart (right).

NET ACCRUAL TO STATE GOVERNMENT



Key Performance Indicators

RELATIONSHIP TO GOVERNMENT STRATEGIC GOALS

The State Government has a strategic goal to achieve results in key service delivery areas for the benefit of all Western Australians. Aqwest delivers this outcome by providing a sustainable, high quality drinking water supply.

KEY EFFECTIVENESS INDICATORS

Key Effectiveness Indicators measure how Aqwest has achieved its desired outcomes of a sustainable and high quality drinking water supply. To measure the extent to which this outcome has been achieved, two Key Effectiveness Indicators are used:



QUANTITY OF WATER PRODUCED WITHIN LICENSED ALLOCATION

- **Target: 7.6 Gegalitres**

This target is based on the current groundwater licence issued by the Department of Water.

The indicator supports Aqwest’s sustainability objectives of managing the long term viability of the resource and continuing to invest in demand management and water conservation initiatives.

- **2016 Results:** Target achieved - Aqwest produced 6.7 Gegalitres.

- **Prior Year Results:**

- 2014/15 → 6.8 Gegalitres
- 2013/14 → 6.7 Gegalitres
- 2012/13 → 6.3 Gegalitres
- 2011/12 → 6.5 Gegalitres



NUMBER OF ZONES WHERE MICROBIOLOGICAL COMPLIANCE IS ACHIEVED

- **Target: 7/7**

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

- **2016 Results:** Target achieved – Aqwest achieved microbiological compliance across each of Aqwest’s seven zones.

- **Prior Year Results:**

- 2014/15 → 7/7 Zones
- 2013/14 → 7/7 Zones
- 2012/13 → 7/7 Zones
- 2011/12 → 7/7 Zones

Key Efficiency Indicators

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



OPERATING COST PER PROPERTY

- **Target:** <6 per cent

This indicator is provided to demonstrate that sustained high quality drinking water must be achieved at reasonable cost.

- **2016 Results:** Target achieved. An increase of 3.7 per cent was recorded.

- **Prior Year Results:**

2014/15	→ 7.2%
2013/14	→ -11.7%
2012/13	→ 27.9%
2011/12	→ -3.1%



REAL WATER LOSSES (LITRES/SERVICE CONNECTION/DAY)

- **Target:** <115 Litres

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

The indicator supports Aqwest's sustainability objective of continuing to invest in water conservation initiatives.

- **2016 Results:** Target achieved. Aqwest recorded Real Water Losses of 95 Litres/Service Connection/Day.

- **Prior Year Results:**

2014/15	→ 106
2013/14	→ 111
2012/13	→ 116
2011/12	→ 115



AVERAGE ANNUAL RESIDENTIAL WATER SUPPLIED (KILOLITRES/PROPERTY)

- **Target:** <280 Kilolitres

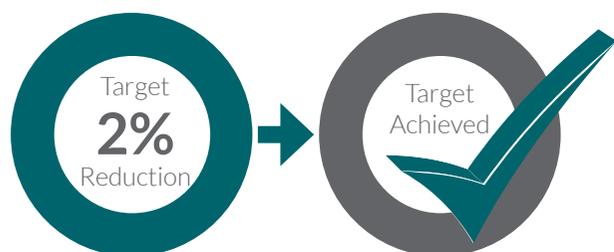
Minimising average water consumption per property is a key factor in ensuring long-term sustainability. The indicator supports Aqwest's objective of continuing to invest in water conservation initiatives. The target is set below the historical long term average.

- **2016 Results:** Target achieved. The average was 261 Kilolitres/property.

- **Prior Year Results:**

2014/15	→ 265
2013/14	→ 267
2012/13	→ 254
2011/12	→ 255

Sustainability Indicators



TOTAL NET GREENHOUSE GAS EMISSIONS (NET TONNES CO₂-E) PER 1,000 PROPERTIES

- **Target: 2 per cent reduction per annum.**

The indicator supports Aqwest's sustainability objectives of acting in an environmentally responsible way, and staying committed to State and Federal government sustainability initiatives.

- **2016 Results:** Target achieved. A 3.68% decrease was recorded.

- **Prior Year Results:**

- 2014/15 → 2.6% decrease
- 2013/14 → 6.5% increase
- 2012/13 → 3.0% decrease
- 2011/12 → 10.0% decrease



PERCENTAGE OF FIXED COSTS RECOUPED BY SUPPLY FEES

- **Target: 45 per cent**

The indicator supports Aqwest's objective of ensuring the long term financial viability of the business.

- **2016 Results:** Target achieved. A result of 58% was recorded.

- **Prior Year Results:**

- 2014/15 → 52%
- 2013/14 → 47%
- 2012/13 → 39%
- 2011/12 → 42%



NET DEBT TO EQUITY RATIO

- **Target: <10 per cent**

The target sets a manageable level of debt control. The indicator supports Aqwest's objective of ensuring the long term financial viability of the business.

- **2016 Results:** Target achieved. Aqwest had no net debt at 30 June 2016.

- **Prior Year Results:**

- 2014/15 → 0
- 2013/14 → 0
- 2012/13 → 0
- 2011/12 → 0

People Performance Indicators



STAFF ATTITUDINAL SURVEY COMPLETED

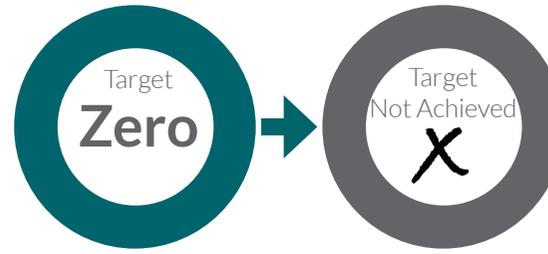
• **Target: Yes**

Completion of annual staff attitudinal survey demonstrates good practice. The indicator supports Aqwest’s objective of providing a work environment where employees have the opportunity to thrive.

• **2016 Results:** Target achieved.

• **Prior Year Results:**

- 2014/15 → Yes
- 2013/14 → Yes
- 2012/13 → Yes
- 2011/12 → n/a



LOST TIME INJURY FREQUENCY RATE (LTIFR)

• **Target: 0**

The indicator supports Aqwest’s objective of maintaining a safe working environment and culture.

• **2016 Results:** Target was not achieved. Aqwest recorded a LTIFR of 31.39. This is heavily influenced by a motor vehicle accident that occurred in January 2014.

• **Prior Year Results:**

- 2014/15 → 32.4
- 2013/14 → 31.2
- 2012/13 → 32.8
- 2011/12 → 16.9



AVERAGE LOST TIME PER INJURY (DAYS)

• **Target: <2 Days**

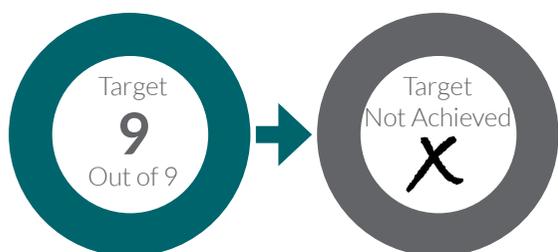
The indicator supports Aqwest’s objective of maintaining a safe working environment and culture.

• **2016 Results:** Aqwest recorded 7.5 days.

• **Prior Year Results:**

- 2014/15 → 59 days
- 2013/14 → 40 days
- 2012/13 → 4 days
- 2011/12 → 18 days

Customer Service Performance Indicators



CUSTOMER SATISFACTION SURVEY TARGETS MET

- **Target:** 9 out of 9

The indicator supports Aqwest's objective of active consultation, communication and engagement with the community. Aqwest sets a target of 85% in nine categories. This sets a high benchmark for customer satisfaction.

- **2016 Results:** Target was not achieved. 0 out of 9. Six of the nine targets were achieved if customer "neutral" responses are added to the positive responses.

- **Prior Year Results:**

2014/15 → 3/9
 2013/14 → 5/9
 2012/13 → 4/9
 2011/12 → 4/9



WATER QUALITY COMPLAINTS (PER 1000 PROPERTIES)

- **Target:** <2

The indicator supports Aqwest's objective of remaining accountable and responsive to customer needs.

- **2016 Results:** Target achieved. Aqwest recorded 0.29.

- **Prior Year Results:**

2014/15 → 0.12
 2013/14 → 0.06
 2012/13 → 7.0
 2011/12 → 9.0



WATER SERVICE COMPLAINTS (PER 1000 PROPERTIES)

- **Target:** <0.8

The indicator supports Aqwest's objective of remaining accountable and responsive to customer needs.

- **2016 Results:** Target achieved. Aqwest recorded 0.23.

- **Prior Year Results:**

2014/15 → 0.2
 2013/14 → 0.2
 2012/13 → 4.4
 2011/12 → 4.7



BILLING AND ACCOUNT COMPLAINTS (PER 1,000 PROPERTIES)

- **Target:** <2

The indicator supports Aqwest's objective of remaining accountable and responsive to customer needs.

- **2016 Results:** Target achieved. Aqwest recorded 0.47.

2014/15	⇒	0.9
2013/14	⇒	0.8
2012/13	⇒	0.7
2011/12	⇒	0.5



PERCENTAGE OF CONNECTIONS MEETING PRESSURE AND FLOW REQUIREMENTS

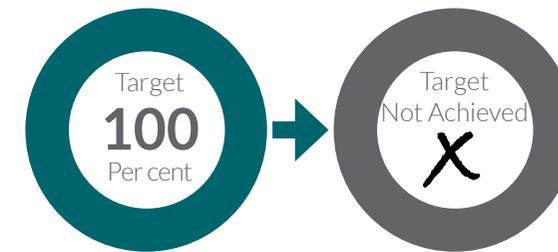
- **Target:** 100 per cent

The indicator supports Aqwest's objective of remaining accountable and responsive to customer needs. It is also a compliance requirement of the Economic Regulation Authority (ERA) Operating Licence.

- **2016 Results:** Target achieved. Aqwest recorded 100 per cent

- **Prior Year Results:**

2014/15	⇒	99.98%
2013/14	⇒	n/a
2012/13	⇒	n/a
2011/12	⇒	n/a



PERCENTAGE OF CUSTOMER COMPLAINTS RESOLVED IN LESS THAN 15 BUSINESS DAYS

- **Target:** 100 per cent

The indicator supports Aqwest's objective of remaining accountable and responsive to customer needs.

It is also a compliance requirement of the Economic Regulation Authority (ERA) Operating Licence.

- **2016 Results:** Target was not achieved. The result was 94 per cent

- **Prior Year Results:**

2014/15	⇒	93%
2013/14	⇒	n/a
2012/13	⇒	n/a
2011/12	⇒	n/a

Operations Performance Indicators



AVERAGE FREQUENCY OF AN UNPLANNED INTERRUPTION (PER 1000 PROPERTIES)

• **Target:** <250

Over each 12 month period at least 75% of connected properties shall not experience a complete interruption of supply (no flow) exceeding 1 hour.

The indicator supports Aqwest's objective of achieving excellence in the provision of service to customers.

• **2016 Results:** Target achieved. Aqwest recorded 146 unplanned interruptions per 1000 properties

2014/15	→	20
2013/14	→	211
2012/13	→	204
2011/12	→	168



AVERAGE DURATION OF AN UNPLANNED INTERRUPTION (MINUTES)

• **Target:** <60 minutes

The indicator supports Aqwest's objective of achieving excellence in the provision of customer service.

• **2016 Results:** Target was not achieved. Aqwest recorded 61 minutes.

• **Prior Year Results:**

2014/15	→	43.7 minutes
2013/14	→	47.5 minutes
2012/13	→	56.7 minutes
2011/12	→	61.8 minutes



ENERGY CONSUMPTION (KW.H/KL)

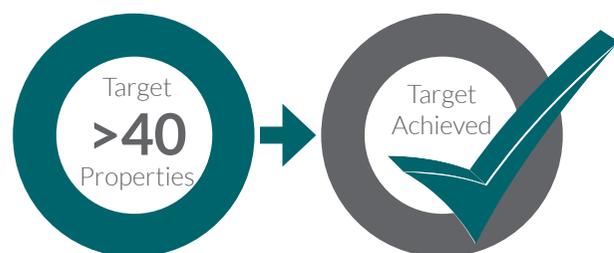
• **Target:** <0.45

The indicator supports Aqwest's sustainability objective of acting in an environmentally responsible way.

• **2016 Results:** Near Target. Aqwest recorded 0.45.

• **Prior Year Results:**

2014/15	→	0.45
2013/14	→	0.48
2012/13	→	0.44
2011/12	→	0.48



PROPERTIES SERVED PER KILOMETER OF WATER MAIN

• **Target:** >40

Aqwest targets servicing more than 40 properties per kilometer of water main.

• **2016 Results:** Target achieved. Aqwest recorded 43.8.

2014/15	⇒	43.9 properties
2013/14	⇒	43.3 properties
2012/13	⇒	43.5 properties
2011/12	⇒	43.0 properties



WATER MAIN BREAKS (PER 100KM OF WATER MAIN)

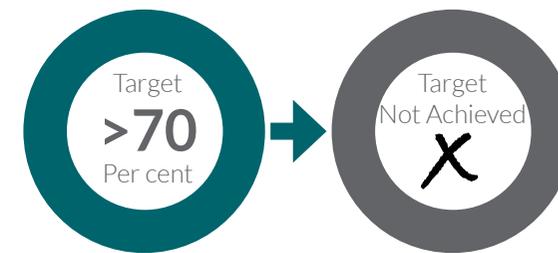
• **Target:** <20

The indicator directly reflects the condition of Aqwest's network & preventive maintenance program.

• **2016 Results:** Target achieved. Aqwest recorded 13.74.

• **Prior Year Results:**

2014/15	⇒	12.5
2013/14	⇒	10.4
2012/13	⇒	12.2
2011/12	⇒	10.2



OFF PEAK ENERGY USE

• **Target:** 70%

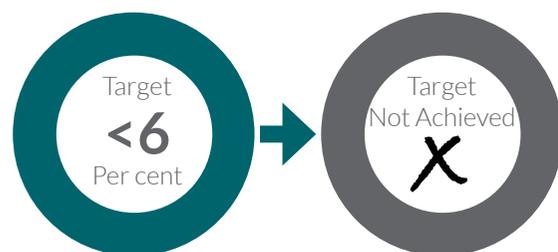
The indicator targets a high but attainable level of off-peak power use. The indicator supports Aqwest's sustainability objective to act in an environmentally responsive way.

• **2016 Results:** Target was not achieved. Aqwest recorded 69 per cent.

• **Prior Year Results:**

2014/15	⇒	72%
2013/14	⇒	75%
2012/13	⇒	75%
2011/12	⇒	78%





OPERATING COST PER MEGALITRE (ML) PRODUCED

- **Target: 6 per cent increase per annum.**

This indicator is provided to demonstrate that sustained high quality drinking water must be achieved at reasonable cost.

- **2016 Results:** Target was not achieved. Aqwest recorded a 7.4 per cent increase.

- **Prior Year Results:**

2014/15 ➔ 6.8% increase
 2013/14 ➔ 16% decrease
 2012/13 ➔ 33% increase
 2011/12 ➔ 2% decrease



RETURN ON ASSETS

- **Target: Target: 5.1 per cent**

This indicator is provided to ensure the long term viability of the business.

- **2016 Results:** Target achieved. Aqwest recorded a 11.59 per cent return.

- **Prior Year Results:**

2014/15 ➔ 9.4%
 2013/14 ➔ 5.0%
 2012/13 ➔ -0.7%
 2011/12 ➔ -0.1%



Statistics – 10 Year Summary

OPERATING

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Water Production (Gigalitres)	6.66	6.81	6.70	6.33	6.47	6.49	6.72	6.67	6.29	6.77
Residential Consumption (Gigalitres)	4.07	4.09	4.08	3.83	3.81	3.98	4.05	4.12	3.75	4.05
Non Residential Consumption (Gigalitres)	1.66	1.63	1.61	1.58	1.71	1.70	1.70	1.85	1.69	1.74
Total Water Consumption (Gigalitres)	5.73	5.72	5.69	5.41	5.52	5.68	5.75	5.97	5.45	5.79
Average Residential Consumption (Kilolitres)	261	265	267	253	255	269	277	280	273	314
Residential Services	15,610	15,442	15,270	15,151	14,939	14,798	14,619	n/a	n/a	n/a
Non –Residential Services	1,503	1,475	1,449	1,444	1,419	1,390	1,359	n/a	n/a	n/a
Total Connected Properties	17,113	16,917	16,719	16,595	16,358	16,188	15,978	15,828	15,355	15,008
Growth in Connected Properties (Percent)	1.2	1.3	0.6	1.4	1.1	1.3	0.9	3.1	2.3	3.0
Total number of employees	39	40	39	39	36	36	35	32	34	34
Total number of full-time equivalents (FTEs)	39.0	39.8	38.9	36.3	30.5	30.5	28.3	27.0	26.7	26.7



Asset Management - Planning for the future

In 2015/16 Aqwest has continued to improve the management of its assets with further development and refinement of its Asset Risk and Criticality Framework to support the Asset Management Strategy and Asset Management Plan.

Aqwest is also required to produce a Strategic Asset Plan (SAP) each year which provides the forward estimates for its asset related expenditure over the next 10 years. The Asset Risk and Criticality rating system is incorporated into the SAP and used to determine expenditure priorities based on risk and criticality.

WATER QUALITY

Aqwest has carried out a review of its water quality monitoring program, in accordance with the requirements of the Memorandum of Understanding (MoU) with the Western Australia Department of Health (DoH).

The purpose of this study was to review the water quality risks associated with the Bunbury water supply system including bores, water treatment plants and reticulation sample points.

This work will culminate in a new water quality

monitoring program that will observe the requirements of the Australian Drinking Water Guidelines 2011 and fulfil the risk management requirement of the MoU with DoH.

TECH RESERVOIR REFURBISHMENT

Stage three of the Tech Reservoir refurbishment project was completed which included joint repair and improving the grouting of the foundations. Under the five stage project, the high density polyethylene liner will be removed and the concrete joints reconstructed.

The Tech Reservoir holds 76 million litres of water, which is more than three days supply for Bunbury, and is Aqwest's largest potable water storage facility.

Leakage rates have decreased as this project has progressed showing a good return on the investment made in this critical asset.

MAINS AND VALVE REPLACEMENT

Aqwest continued its ongoing maintenance program to replace water mains and valves. These assets are prioritised and replaced on a rolling program to ensure Aqwest's long term capability

strategies can be met.

The water supply network consists of approximately 380km of large water mains and around 17,000 water service connections.





Occupational Safety, Health and Injury Management

Aqwest is committed to the development, equity and safety of its people with the key objective being to “Maintain a safe working environment and culture”.

These corporate directions were tested during the year by an external audit of our safety and health systems against the WorkSafe WA - WorkSafe Plan.

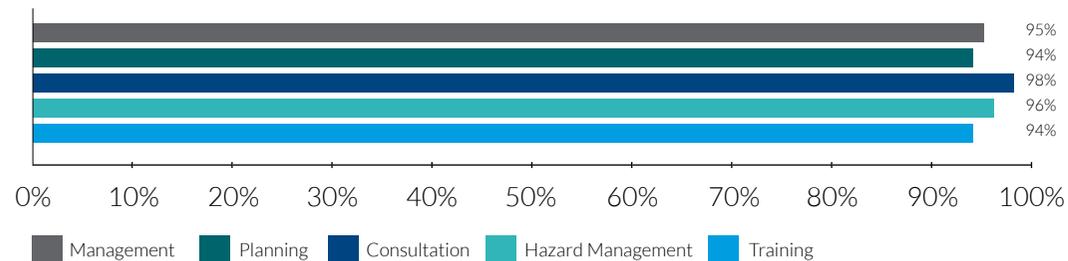
The WorkSafe Plan indicator score across the five elements and the associated injury management performance meets the requirements for the WorkSafe Plan Platinum level certificate of achievement. The chart below shows the score in each of the five categories.

The Chief Executive Officer chairs the Aqwest monthly Safety Committee meeting which communicates and consults with employees on health and safety matters. Safety meetings are also held by the Water Distribution, Water Treatment and Finance and Administration departments which each have elected employees who are qualified health and safety representatives.

2015 – 2016 also saw the introduction of a new corporate Risk Management system. This system has allowed for further integration of safety and risk as well as providing a platform to record and monitor hazards that are reported in the workplace.

Indicator	Target	Results 2015/16	Results 2014/15
Number of fatalities	Zero (0)	Zero (0)	Zero (0)
Lost time injury / disease (LTI/D) incidence rate	Zero (0) or 10% reduction on the previous year	31.39%	6.6%
Lost time injury severity rate	Zero (0) or 10% reduction on the previous year	0%	33.33%
Percentage of injured workers returned to work within: (i) 13 weeks and (ii) 26 weeks	Actual percentage result to be reported	(i) 100% (ii) 100%	(iii) 100% (iv) 100%
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	Greater than or equal to 80%	100%	100%

WSP SUMMARY SCORES





Commitment to Customers

AQWEST is committed to providing sustainable, high-quality drinking water that consistently meets or exceeds our customers' expectations.

Customer Complaints

Aqwest is committed to resolving complaints fairly, efficiently and in a courteous and effective manner. Feedback is valued and is assessed as part of a continuous improvement process to enhance products and customer service.

Under Aqwest's Water Services Operating Licence, customer complaints must be received, recorded, and where possible, resolved within 15 business days. Customers are kept fully informed on the progress of their complaint until a solution is found.

The Water Services Code of Conduct 2013 requires Aqwest's Complaints Management Procedure to conform to Australian Standard Customer Satisfaction - Guidelines for Complaints Handling in Organisations AS ISO 10002-2006.

Staff are trained to handle customer complaints and where necessary, liaise with officers who are authorised to settle complaints.

Customers are entitled to have their complaint investigated and resolved by the Energy and Water Ombudsman.

Aqwest had one outstanding complaint with the Energy and Water Ombudsman at 30 June 2016.

The following performance indicators were set by Aqwest for complaints in 2015/16 (per 1000 properties, per year):

	Target	Result
Water quality complaints	<2	0.29
Water service complaints	<0.8	0.23
Billing or accounts complaints	<2	0.47

	Target	Result
Percentage of customer complaints resolved in less than 15 business days	100	94

The performance indicators are monitored at monthly Board meetings. Complaint statistics for 1 July 2015 to 30 June 2016 are:

Number of Complaints	
Water quality complaints	5
Water service complaints	4
Billing or accounts complaints	18
Other	6
Total	33



In our Community

SPONSORSHIP



A number of community groups applied for sponsorship in 2015/16, 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 constituted or incorporated.

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 2015/16 it was used by:

- Skyfest Australia Day Celebrations, City of Bunbury
- Anzac Day Service, Bunbury RSL
- Special Olympics South West
- Interschool Cross Country, South West School Sports Association
- Back Beach Bike Blast, Bunbury Triathlon Club

GLASS WATER BOTTLES

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

PHOTOGRAPHIC COMPETITION

2016 Calendar



Students from throughout Bunbury entered the annual Aqwest Photographic Competition. Judges decided the winners from 235 entries depicting the theme "Water Our Precious Resource" in the 12 Years and Under and 13 to 17 years categories. The winners and their schools received cash prizes and their photos were featured in the popular Aqwest calendar, which is distributed to entrants and participating schools and available free to customers.

WATER WEEK

Aqwest highlighted the importance of water conservation and choosing water saving appliances by giving away a waterwise washing machine during National Water Week in October. Chairman Judy Jones presented Jack Clapp from Bunbury with the front loading washing machine. The competition attracted 489 entries and it was the fifth time Aqwest has given away a washing machine.

CUSTOMER SURVEY

Aqwest carries out a customer survey each year to measure performance and make recommendations for improvement where necessary. This year customers were invited to complete an on-line survey with 10 entrants having the chance to win a \$100 gift voucher. Aqwest's overall satisfaction rating remains high at 81.3 per cent.

PAYMENT OF ACCOUNTS

Aqwest introduced the BPAY View option as another way that customers can pay their accounts. Customers can also pay by direct debit, pay online, register to receive accounts via email, by posting a cheque or money order, in person or by using Centrepay.



RELAY FOR LIFE

Aqwest staff participated in Relay For Life for the first time in 2015 with two teams of 10 staff. Relay For Life is a team event dedicated to raising funds for cancer research.

Following an intensive and extensive range of fundraising activities, a total of \$6,460 was raised. This resulted in Aqwest being presented with an award for being the second highest fund raising dynamic team duo! The team name was the 'Droplets'.



Communications



Aqwest Chairman Judy Jones with National Water Week competition winner Jack Clapp and his wife Tracy.

NATIONAL WATER WEEK COMPETITION WINNER

Jack Clapp of Bunbury is the winner of a water-saving, front-loading washing machine, given away by Aqwest for National Water Week 2015.

Aqwest Chairman Judy Jones drew Mr Clapp's winning coupon from 489 entries. It is the fifth year that Aqwest has given away an energy efficient, water saving washing machine to promote National Water Week from October 18-24.

"The competition receives a fantastic response each year, while promoting the importance of water conservation by giving away a waterwise appliance that can save water and reduce customers' water bills," said Mr Jones. "It is the highlight of our Water Week program".

Mr Clapp said winning the washing

machine could not have happened at a better time.

"My wife Tracy and I have just returned from six months away to discover our washing machine not working," Mr Clapp said.

"It is 21 years old and making a noise you wouldn't believe, so we started researching washing machines to buy.

"As I was leaving home to pay my Aqwest bill, Tracy gave me the coupon to drop in.

"I said to her: 'We're not going to win that, no one wins these things!' so to win it was fantastic".

Bunbury residents entered by filling in a coupon and posting it to Aqwest, emailing an entry to Aqwest or dropping the coupon in to the office at MacKinnon Way.

CHECK YOUR RETICULATION

Aqwest is reminding customers to check their reticulation before they start their Summer watering.

By checking for leaks, you could avoid costly bills and save water.

Aqwest recommends to always use a timer when watering, either on the tap, through an automatic reticulation system or by using an oven timer. And remember to check the watering roster so you know which days to water before 9am and after 6pm.

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

This watering roster does not apply to bore users.

*If you have a bore, there is no house number, lot number.

No sprinkler or reticulation use on any day between 9am - 6pm. This also applies to bore users.

CONTACT AQWEST

5 MacKinnon Way,
Bunbury WA 6230

P (08) 9790 9500 F (08) 9790 9509

E aqwest@aqwest.com.au

www.aqwest.com.au

Find us on Facebook

OUR PURPOSE: To provide competition in the totality of water services to be managed locally and to provide value to the owner and the customer. **OUR VISION:** To be an independent water utility providing diversity and competition in the Western Australian water industry.

Aqwest keeps customers 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.

Some of the news this year included the photographic competition, increased water charges, new directors, the washing machine give-away during National Water Week and community sponsorship opportunities.

Aqwest also took the opportunity to highlight waterwise tips, how to read meters to detect leaks, the watering roster and promoted receiving water accounts by email.

A new Facebook site was launched during the year as another important medium to connect with social media users, with stories about disruptions to water services, Aqwest community activities, using the Rehydration Station, sponsorship, competition winners, water conservation tips, how to read water meters, checking reticulation and sprinkler bans.

WATER EFFICIENCY

Aqwest continued to highlight the importance of water efficiency during the year. The aim of the annual photographic competition was to raise awareness of water conservation among school students through the theme "Water, Our Precious Resource".

Other initiatives included stories in the On Tap newsletter and on Facebook about water conservation.

Average residential water consumption was 261 kilolitres per household during the year, which was below the Aqwest target of 280 kilolitres.





Corporate Governance Report

ACCOUNTABILITY AND INDEPENDENCE

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

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

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

MINISTERIAL DIRECTIONS

Under section 64(1) of the *Water Corporations Act 1995*, the Minister may give direction in writing to Aqwest generally with respect to the performance of

its function and, subject to section 65, Aqwest is to give effect to any such direction.

During the reporting period, no directions were received from the Minister.

DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

A full disclosure of Directors' and Senior Executives' remuneration is detailed in the Remuneration report on page 41.

INTERNAL CONTROL

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

The Audit Committee manages 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.

RISK MANAGEMENT

Aqwest protects its customers and other stakeholders through maintaining an effective risk management system. The risk management system ensures identified external, strategic, operational and project based risks are treated and/or mitigated.

During 2015/16, Aqwest updated its Risk Management data system. The new system better integrates information on risks, compliance obligations, strategies, controls, actions, incidents and hazards. It also has tools that improve presentation and communication. These improvements are designed to enable better decision making.



Ethical Standards

Aqwest has a code of conduct that sets out minimum standards of conduct and integrity to be observed by members of staff. This code was developed in consultation with the Public Sector Commissioner and has regard to the principles set out in section

9 of the *Public Sector Management Act 1994*. Staff awareness sessions on the code of conduct and public interest disclosures are held annually.

Aqwest has a Board Charter that sets out the roles and responsibilities of Board directors.

Disability access & inclusion

People with disability often experience difficulty accessing information, facilities and services. Aqwest has taken up the challenge of making sure our business is accessible and inclusive to all members of the community, and has addressed the following outcomes.

1. Our information is accessible to all of our customers.
2. A high standard of service is provided to all of our customers.
3. Complaints from any person are fully investigated and the outcome is conveyed in an accessible format.
4. People with a disability have the same opportunities as other people to access and participate in employment at Aqwest.

HOW WE OVERSEE RISK

BOARD OF DIRECTORS

The Board of Directors is responsible for setting risk tolerance levels and ensuring risks that fall outside this tolerance are managed appropriately.

RISK COMMITTEE

The Risk Management Committee is responsible for ensuring an adequate risk management system is in place and for reviewing the risk profile. The Risk Management Committee includes the Board Chairman and one other Director, together with the Executive.

SPECIAL FOCUS COMMITTEE

Special focus Committees are responsible for oversight of risks within their scope of responsibility. Committees include Water Quality, Audit, Executive, Information and Communications Technology, Occupational Health and Safety and Public Relations.

CEO AND EXECUTIVE

The CEO and Executive have responsibility for managing risks in their part of the business. They are responsible to special focus committees, the Risk Management Committee and the Board for ensuring risks are appropriately identified, analysed, evaluated, treated, communicated and monitored.

PERFORMANCE MONITORING AND REPORTING

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

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

STATE RECORDS ACT 2000

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)*.

The most recent record keeping plan was approved by the State Records Commission in August 2014.

Record keeping training is mandatory for all staff to gain an understanding of their responsibilities and obligations. As part of the induction process, all new staff are provided with an induction manual that

addresses staff roles and responsibilities in respect to the record keeping plan. Inductees also attend individual record keeping training and information sessions.

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

PUBLIC INTEREST DISCLOSURE (PID)

Public Interest Disclosure training is provided to all staff annually. Aqwest has one PID officer.

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*. During 2015/16, no FOI applications were received. Under Section 96 of the *Freedom of Information Act 1992*, Aqwest is required to produce a FOI 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 held by the organisation.

REPORTABLE EXPENDITURE

The Electoral Act 1907 (Section 175 ZE) requires the disclosure of certain categories of expenditure. Details of the organisations contracted by Aqwest and the amounts paid for advertising, market research, polling, direct mail and media advertising in 2015/16 are:

	AMOUNT PAID
Advertising agencies	Nil
Polling organisation	Nil
Direct mail organisation	Nil
Media advertising organisations	
Rural Press Ltd	\$450
Marketforce	6,611
The Local Link	714
West Australian Newspapers	2,526
Market research organisations	
AEC Group	9,976

Directors' Report

Ms Judy Jones (Chairman)

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

Mr Neville Eastman

Board Member since July 2011
 Director since November 2013

Mr Edwin Abdo

Board Member since October 2011
 Director since November 2013

Mr Rob Nicholson

Board Member since June 2012
 Director since November 2013

Mr Hans Dopheide

Board Member since November 2013
 Director since November 2013

Mr John Barratt

Director since August 2015.

Directors' biographies are shown on page 8.

The Directors of Aqwest present their report for the 12 months ended 30 June 2016.

The Aqwest Board of Directors provides leadership and direction to ensure Aqwest achieves excellence in 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.

PRINCIPAL ACTIVITIES

The principal functions of Aqwest are:

- 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.

STATE OF AFFAIRS

There were no significant changes during the year ended 30 June 2016 in the state of affairs of Aqwest not otherwise disclosed in this report, or the financial statements.

OPERATING RESULTS

Aqwest operates in a regulatory framework comprising the Economic Regulation Authority, Department of Water, Department of Treasury and the Department of Health. During the year, Aqwest supplied 5.73 million kilolitres of water.

Aqwest made a profit before income tax equivalent of \$5.07 million: (2015: Profit \$3.582 million). On an after-tax equivalent basis, the profit was \$3.14 million (2015: \$2.110 million).

DIVIDENDS

Aqwest paid a final dividend of \$1.218 million in December 2015 for the year ending 30 June 2015.

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

REMUNERATION REPORT

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

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

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

The compensation of all staff is reviewed annually. The Board is responsible for the Chief Executive Officer's compensation and this is reviewed annually in accordance with an employment contract.

The Board sets Executive compensation based on advice from independent remuneration consultants regarding compensation practices. Executives are employed on individual employment contracts under common law.

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

	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
Number of meetings held	11		4		4		1	
Judy Jones (Chairman)	11	11	4	4	4	4	1	1
Neville Eastman	10	11	4	4			1	1
Hans Dopheide	11	11					1	1
Edwin Abdo	9	11			4	4		
Rob Nicholson	10	11						
John Barratt	9	10	2	2				

Note: Only 11 Board Meetings as there was no meeting in January 2016.

EVENTS SUBSEQUENT TO BALANCE DATE

Since 30 June 2016 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect Aqwest's operations, the results of those operations, or Aqwest's state of affairs in subsequent financial periods.

DIRECTORS' INTERESTS AND BENEFITS

In the 12 months to 30 June 2016, no Director received, or became entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by

Directors) by reason of a contract made by Aqwest with the Director, or with a firm of which the Director is a member, or with an entity in which the Director has a substantial interest.

INDEMNIFICATION OF DIRECTORS AND AUDITORS

In the 12 months ended 30 June 2016, Aqwest has not indemnified against a liability, a person who is, or has been, a Director or auditor of Aqwest. During the period ended 30 June 2016, Aqwest paid insurance premiums in respect of Directors' and Officers' liability insurance for any past, present or future director, board/committee member, secretary, executive officer or employee of Aqwest.

CORPORATE GOVERNANCE

The names and positions of the executives were:

Executives		Year ended 30 June 2016	Year ended 30 June 2015
Brad Bevis	Chief Executive Officer	✓	✓
Joseph Smith	Manager Finance & Administration	✓	✓
Gary Hallsworth	Manager Water Services	✓	✓

Executives remuneration fell within the following bands:

30 June 2016					
Total Remuneration Band (\$)	Number of Staff	Salary & Fees \$'000	Non-monetary Benefits \$'000	Superannuation \$'000	Total \$'000
125,000 - 149,999	1	123	9	13	145
175,000 - 199,999	1	169	8	16	193
200,000 - 224,999	1	191	8	18	218

30 June 2015					
Total Remuneration Band (\$)	Number of Staff	Salary & Fees \$'000	Non-monetary Benefits** \$'000	Superannuation \$'000	Total \$'000
125,000 - 149,999	1	121	10	13	144
175,000 - 199,999	1	156	9	15	180
200,000 - 224,999	1	181	8	17	206

The names and positions of the directors were:

Directors			
J Jones	Chairman (non executive)	H Dopheide	Director (non executive)
N Eastman	Deputy Chairman (non executive)	R Nicholson	Director (non executive)
J Barratt	Director (non executive)	E Abdo	Director (non executive)

The Minister determines the remuneration of the Board of Directors.

Details of remuneration provided to Directors:

Position	Name	Period of Membership*	Primary Fees \$'000	Post Employment Superannuation '\$000	Total '\$000
Chairman	J Jones	12 months	25	3	28
Deputy Chair	N Eastman	12 months	13	1	14
Director	H Dopheide	12 months	13	1	14
Director	E Abdo	12 months	13	1	14
Director	R Nicholson	12 months	13	1	14
Director	J Barratt	11 months	11	1	13
TOTAL			86	9	95

* The period of membership column refers to the director's membership during the 2015/16 financial year

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



Judy Jones
Chairman

Bunbury, 25 August 2016



Neville Eastman
Director

Bunbury, 25 August 2016



Financial Report

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
INCOME			
Revenue			
Water sales	7	14,263,983	12,470,757
Operating subsidy	7a	811,000	479,000
Interest revenue	8	209,060	149,477
Developer contributions	9	726,573	992,995
Other revenue	10	124,994	125,215
Gains			
Gain on disposal of non current assets	15	-	-
Impairment losses reversed	15	-	-
TOTAL INCOME		16,135,610	14,217,444
EXPENSES			
Operational expenses			
Administration expenses	11	6,704,548	6,448,010
Loss on disposal of non current assets	14	3,278,906	3,038,581
Finance costs	15	6,090	37,830
Other expenses	16a	20,398	22,447
Other expenses	16	1,050,977	1,088,122
TOTAL EXPENSES		11,060,919	10,634,990
Profit/(loss) before income tax		5,074,691	3,582,454
Income tax equivalent expense	18	1,934,774	1,472,275
Profit/(Loss) after income tax		3,139,917	2,110,180
PROFIT/(LOSS) FOR THE PERIOD		3,139,917	2,110,180

	Note	2016 \$	2015 \$
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to Profit or Loss			
Changes in asset revaluation surplus	28	-	-
Gains/(losses) recognised directly in equity	28	98,716	(88,778)
Income tax on items of other comprehensive income	28	228,069	314,440
TOTAL OTHER COMPREHENSIVE INCOME		326,785	225,662
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,466,702	2,335,842

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016	2015
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	30	848,048	802,242
Other financial assets	19	6,168,000	3,787,310
Receivables	20	1,174,678	1,608,466
Inventories	21	541,601	508,637
Other current assets	22	120,021	87,122
Total current assets		8,852,348	6,793,777
Non current assets			
Other financial assets	19	750,000	750,000
Property, plant and equipment	23	88,383,143	88,617,546
Other non current assets	22	529,890	526,078
Total non current assets		89,663,033	89,893,624
TOTAL ASSETS		98,515,381	96,687,401
LIABILITIES			
Current liabilities			
Payables	25	1,038,666	1,067,059
Borrowings	25b	58,943	57,045
Current tax liability	25a	593,091	696,159
Provisions	26	824,641	727,497
Total current liabilities		2,515,341	2,547,760

	Note	2016	2015
		\$	\$
LIABILITIES			
Non current liabilities			
Provisions	26	114,566	70,426
Borrowings	25b	393,048	450,376
Deferred tax liabilities	27	9,517,024	9,892,121
Total non current liabilities		10,024,638	10,412,923
TOTAL LIABILITIES		12,539,979	12,960,683
NET ASSETS			
		85,975,402	83,726,718
EQUITY			
Reserves	28	57,396,570	53,576,468
Retained earnings	28	28,578,832	30,150,250
TOTAL EQUITY		85,975,402	83,726,718

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 2016

	Note	Contributed equity	Asset revaluation reserve	Other reserves	Retained profits	Total equity
		\$	\$	\$	\$	\$
Opening balance at 1 July 2014		-	50,635,413	1,308,712	29,446,751	81,390,876
Total comprehensive income for the year	28	-	314,440	-	2,021,402	2,335,842
Transfers to reserves	28	-	-	3,465,025	(3,456,025)	-
Transfers from reserves	28	-	-	(2,147,122)	2,147,122	-
Closing balance at 30 June 2015			50,949,853	2,626,615	30,150,250	83,726,718
Opening balance at 1 July 2015		-	50,949,853	2,626,615	30,150,250	83,726,718
Total comprehensive income for the year	28	-	228,069	-	3,238,663	3,466,702
Transfers to reserves	28	-	-	6,233,931	(6,233,931)	-
Transfers from reserves	28	-	-	(2,641,898)	2,641,898	-
Total comprehensive income for the year		-	51,177,922	6,218,648	29,796,850	87,193,420
Transactions with owners, recorded directly in equity						
Dividends paid	28a	-	-	-	(1,218,018)	(1,218,018)
Total transactions with owners		-	-	-	(1,218,018)	(1,218,018)
Closing balance at 30 June 2016		-	51,177,922	6,218,648	28,578,832	85,975,402

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 2016

	Note	2016	2015
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		14,697,892	12,363,777
Developer contributions		637,278	768,204
Interest received		199,993	140,813
GST receipts on sales		15,791	18,233
GST receipts from taxation authority		632,288	607,638
Other receipts		124,994	125,215
Payments			
Supplies and services		(8,403,489)	(8,053,747)
GST payments on purchases		(648,454)	(579,200)
Net cash provided by/(used in) operating activities	30	7,256,293	5,390,934
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non current physical assets		98,050	139,790
Purchase of non current physical assets		(2,502,836)	(2,629,703)
Purchase of investments		(2,380,690)	(2,837,310)
Net cash provided by/(used in) investing activities		(4,785,476)	(5,327,223)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Interest paid		(20,993)	(23,043)
Repayment of borrowings		(54,835)	(55,840)
Net cash provided by/(used in) financing activities		(75,828)	(76,044)

	Note	2016	2015
		\$	\$
CASH FLOWS TO STATE GOVERNMENT			
Taxation equivalents		(1,899,456)	(387,533)
Local government rate equivalent		(42,710)	(88,666)
Dividends Paid	28^(a)	(1,218,018)	-
Operating subsidies		811,000	479,000
Net cash provided to State Government		(2,349,184)	2,781
Net increase/(decrease) in cash and cash equivalents		45,806	(9,552)
Cash and cash equivalents at beginning of year		802,242	811,794
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD	30	848,048	802,242

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



NOTE 1 - AUSTRALIAN ACCOUNTING STANDARDS

(a) General

Aqwest's financial statements for the year ended 30 June 2016 have been prepared in accordance with Australian Accounting Standards. The term Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

(b) Early adoption of standards

Aside from AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, there has been no early adoption of any other Australian Accounting Standards issued or amended (but not operative) by the Authority for the annual reporting period ended 30 June 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General statement

Aqwest is the trading name of the Bunbury Water Corporation, a corporation domiciled in Australia. Aqwest is a Not-For-Profit entity primarily involved in the provision of potable water services. Aqwest prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

(b) Basis of preparation

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

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

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

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

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

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

(c) Income

Revenue recognition

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

Revenue is recognised for the major business activities as follows:

i) Water sales

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

ii) Interest

Revenue is recognised on an accruals basis.

iii) Developer contributions

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

iv) Other revenue

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

v) Operating subsidies

Operating subsidies are received from Government for revenue foregone from rebates and concessions to Pensioners and Seniors on annual supply and consumption charges. They are recognised in the period in which they are received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(d) Income tax

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

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

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

(e) Dividends

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

(f) Property, plant, equipment, and infrastructure

i) Capitalisation/expensing of assets

Items of property, plant and equipment and infrastructure costing \$5,000 or more are recognised as assets. 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.

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

ii) Initial recognition and measurement

Property, plant, equipment and infrastructure are initially recognised at cost. For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

iii) Subsequent measurement

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

All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Where market evidence is available, the fair value of land and buildings is determined on the basis of current market buying values by reference to recent market transactions.

When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

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

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

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 five years for infrastructure, or when an initial assessment indicates that the fair value may differ materially from the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

iv) Derecognition

Upon disposal or derecognition of an item of Property, Plant and Equipment, any revaluation surplus relating to that asset is retained in the asset revaluation reserve.

v) Asset revaluation reserve

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

vi) Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation on other assets is calculated using the straight line (SL) method, using rates, which are reviewed annually. The estimated effective lives for each class of depreciable asset are as follows:

Asset class	Effective life (yrs)
Buildings at Fair Value	1 to 98
Mains at Fair Value	1 to 84
Meters at Fair Value	1 to 8
Service Connections at Fair Value	1 to 19
Treatment Plants at Fair Value	1 to 80
Reservoirs at Fair Value	1 to 79

Bores & Pumps at Fair Value	1 to 77
Plant & Equipment at Cost	1 to 17
Motor Vehicles at Cost	1 to 7
Office Equipment at Cost	1 to 9
Tools at Cost	1 to 8

(g) Intangible assets

(i) Computer software

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

(h) Impairment of assets

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

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

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs. Aqwest does not have any intangible assets with an indefinite useful life, or are not yet available for use.

i) Leases

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 a liability (see note 25a 'Payables' and note 33 'Non cancellable operating lease revenue').

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(j) Financial instruments

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

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

These have been disaggregated into the following asset classes:

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

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

Held-to-maturity investments have been classified as short term where maturity terms are less than one year from the reporting date. Aqwest assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(k) Cash and cash equivalents

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

(l) Inventories

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

(m) Receivables

(i) Trade receivables

Receivables are recognised and carried at original invoice amount. The collectability of receivables is reviewed on an ongoing basis. The carrying amount of trade receivables is equivalent to fair value, as the average collection period for outstanding debt is 27 days (as at 30 June 2016).

(n) Investments

Aqwest classifies its investments as held to maturity investments, comprised of term deposits. Investments are initially recognised at cost, being the fair value of consideration given, including directly attributable transaction costs.

(o) Payables

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

(p) Borrowings

All loans payable are initially recognised at fair value, being the net proceeds received. Subsequent measurement is at amortised cost using the effective interest method.

(q) Accrued salaries and wages

Accrued salaries and wages represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year.

Accrued salaries are settled within a fortnight of the financial year end. Aqwest considers the carrying amount of accrued salaries to be equivalent to its net fair value. See note 25a 'Payables'.

(r) Employee benefits provisions

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

i) Annual leave and personal leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period. It is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

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

The provision for annual leave is classified as a current liability, as Aqwest does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Personal leave entitlements for permanent employees are accumulating and partially vesting. The liability for personal leave is recognised only for the vesting component of entitlements.

ii) Rostered days off, Time in lieu

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

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

iii) Long service leave

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

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

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

iv) Superannuation

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

(s) Other provisions

(i) Employment on costs

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

Employment on costs are shown at note 13 'Cost of services' and at note 14 'Administration expenses'. The related liability is included in the provision for employment on costs.

(t) Superannuation expense

Aqwest's default fund for defined contribution plans is WA Super. Employees have the option of electing the default plan or another plan of choice. The majority of Aqwest's employees have plans with the default fund. The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

(u) Comparative figures

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

(v) Reporting entity

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

(w) Dividends

Aqwest paid a final dividend of \$1.218 million in December 2015 for the year ending 30 June 2015.

NOTE 3 – OTHER POLICIES

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

Assets or services received free of charge that can be reliably measured are recognised as revenues and as assets at their equivalent fair value. For Aqwest, such resources are generally gifted mains assets from developers and are included at Note 9 'Developer Contributions'.

NOTE 4 – JUDGEMENTS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

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

NOTE 5 – KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Long service leave, Annual Leave and Personal Leave

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

NOTE 6 – DISCLOSURE OF CHANGES IN ACCOUNTING POLICY AND ESTIMATES

(a) Voluntary changes in accounting policy

There were no voluntary changes in accounting policy applied in the 2015-2016 financial year.

(b) Initial application of an Australian Accounting Standard

Aqwest has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 July 2015 that impacted on it.

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

Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. Aqwest has not yet determined the application or the potential impact of AASB 9.

AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]

This Standard makes amendments to AASB 9 Financial Instruments (December 2009) and AASB 9 Financial Instruments (December 2010), arising from the issuance of AASB 9 Financial Instruments in December 2014. Aqwest has not yet determined the application or the potential impact of AASB 9.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.

AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities (AASB 13)

This Standard relieves not-for-profit public sector entities from the reporting burden associated with various disclosures required by AASB 13 for assets within the scope of AASB 116 that are held primarily for their current service potential rather than to generate future net cash inflows. There is no financial impact.

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

Aqwest has not early applied any of the following Australian Accounting Standards that have been issued that may impact Aqwest. Partial exemption permitting early adoption of AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities has been granted. Aside from AASB 2015-7, there has been no early adoption of any other Australian Accounting Standards issued or amended (but not operative) by Aqwest for the annual reporting period ended 30 June 2016. Where applicable, Aqwest plans to apply these Australian Accounting Standards from their application date.

(i) Operative for reporting periods beginning on/after 1 January 2016: AASB 1057 Application of Australian Accounting Standards

This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]

These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012–2014 Cycle in September 2014, and editorial corrections. Aqwest has not yet determined the application or potential impact of the Standard.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]

This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying

a Standard in determining what information to disclose in their financial statements. There is no financial impact.

**(ii) Operative for reporting periods beginning on/after 1 July 2016:
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]**

The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.

**(iii) Operative for reporting periods beginning on/after 1 January 2017:
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15**

This Standard amends the mandatory effective date (application date) of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. Aqwest has not yet determined the application or the potential impact of AASB 15.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

This Standard clarifies that the recoverable amount of primarily non-cash generating assets of not for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement. The Authority has not yet determined the application or the potential impact.

**(iv) Operative for reporting periods beginning on/after 1 January 2018:
AASB 9 Financial Instruments**

This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 Amendments to Australian Accounting Standards. Aqwest has not yet determined the application or potential impact of the Standard.

AASB 15 Revenue from Contracts with Customers

This Standard establishes the principles that the Aqwest shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Aqwest has not yet determined the application or potential impact of the Standard.

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

This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. Aqwest has not yet determined the application or potential impact of the Standard.

AASB 2014-1 Amendments to Australian Accounting Standards

Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. Aqwest has not yet determined the application or potential impact of the Standard.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]

The adoption of this Standard has no financial impact for Aqwest as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. Aqwest has not yet determined the application or potential impact of the Standard.

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). Aqwest has not yet determined the application or potential impact of the Standard.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 7 – WATER SALES		
Supply charges	4,614,930	3,843,808
Consumption charges	9,763,886	8,549,506
Other water charges	722,237	695,504
Less: rebates given	(837,070)	(618,061)
	14,263,983	12,470,757

NOTE 7A – OPERATING SUBSIDIES

Pensioner and Senior consumption/supply rebates	811,000	479,000
	811,000	479,000

NOTE 8 – INTEREST REVENUE

Interest from cash and cash equivalents	17,250	40,186
Interest from receivables	38,010	34,540
Interest from other financial assets	153,800	74,751
	209,060	149,477

NOTE 9 – DEVELOPER CONTRIBUTIONS

Contributions to headworks	600,782	727,694
Contributions to mains subdivisions	36,496	28,999
Transferred assets – non cash	89,295	236,302
	726,573	992,995

	2016	2015
	\$	\$
NOTE 10 – OTHER REVENUE		
Lease income ^(a)	57,236	54,878
Other revenue	67,758	70,337
	124,994	125,215

(a) See note 33 'Non cancellable operating lease revenue'.

NOTE 11 – OPERATIONAL EXPENSES

Cost of services

Materials/contractors	2,159,254	1,708,690
Electricity	540,519	567,603
Salaries and wages	1,117,016	1,135,519
Employee overheads ^(b)	169,178	352,092
	3,985,966	3,763,904
Depreciation	2,718,582	2,684,106
	6,704,548	6,448,010

NOTE 12 – COST OF WATER SALES

Cost of water sales ^(a)	1,709,407	1,758,687
	1,709,407	1,758,687

(a) Cost of water sales represents the costs incurred for water treatment, operation of bores and reservoirs and the depreciation expense related to these processes.

These costs are included in note 11 'Operational expenses'.

(b) The allocation methodology for overheads was modified in 2015/16. The number of overhead expenses attributed to works was reduced, and the remaining expenses previously allocated as overheads are now shown as a separate expense item in Other Cost of Services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015*
	\$	\$
NOTE 13 – COST OF SERVICES		
Cost of services are allocated on a job basis as follows:		
Bore maintenance and operations	63,993	65,539
Reservoir maintenance	80,427	55,536
Reservoir leak repair contingency	158,855	55,317
Reservoir survey and inspection	28,182	-
Treatment plant maintenance	279,438	278,226
Mains maintenance	260,127	293,383
Compliance water testing	180,380	163,202
Leak detection	23,296	23,620
Service maintenance	462,436	553,155
Groundwater analysis	15,500	30,456
Booster pump maintenance	40,912	29,600
Treatment plant operations	155,848	212,348
Chemical treatment	196,050	192,463
Network Analysis	6,855	16,113
Grounds maintenance	58,483	48,944
Wages operations administration	428,398	381,346
Private works	67,900	82,432
New services – minor assets	210,034	153,357
Service replacement – minor assets	103,768	91,222
Meter replacement – minor assets	203,721	249,739
Valve replacement – minor assets	53,662	99,066
Gifted infrastructure – minor assets	15,047	67,576
Treatment – minor assets	95,780	-
Electricity	540,519	548,325
Other service expenses ^{(a) (b)}	256,356	72,846
	3,985,966	3,763,904

	2016	2015*
	\$	\$

- (a) Other services expenses includes consumables and other other minor projects.
- (b) The allocation methodology for overheads was modified in 2015/16. Rather than costing directly to these works, the overheads are now shown as a separate expense item in Other Service Expenses. This is the reason that these works have much less expenditure attributed to them in the current financial year. It also accounts for the large increase in other service expenses.

* The comparatives have been restated to show a reallocation of minor costs to other services expenses.

NOTE 14 – ADMINISTRATION EXPENSES

Write offs	364	9,706
Computer maintenance and software	413,628	337,993
Insurance	157,461	112,438
Legal expenses	46,052	15,758
Salaries and wages	2,431,013	2,324,715
Superannuation	230,388	237,971
	3,278,906	3,038,581

NOTE 15 – NET (GAIN)/LOSS ON DISPOSAL OF NON CURRENT ASSETS

Cost of disposal of non current assets:

Plant, equipment and vehicles	104,140	177,620
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Proceeds from disposal of non current assets:

Plant, equipment and vehicles	(98,050)	(139,790)
Net (gain)/loss on disposal	6,090	37,830

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 16 – OTHER EXPENSES		
Audit expenses ^(a)	36,900	60,768
Corporate uniforms	12,018	15,502
Valuation expenses ^(b)	9,942	8,952
Administration building utilities	133,119	113,479
Postage, printing and stationary	109,142	94,154
Fringe benefits tax	28,635	28,977
Payroll tax (administrative staff) ^(f)	146,163	132,330
Advertising and promotion ^(c)	29,478	28,276
Board expenses ^(d)	104,224	104,140
Administration building maintenance	77,209	97,837
Staff training ^(e)	53,549	67,171
Bank charges	28,387	24,204
Public relations	49,936	44,653
Office expenses	54,661	103,994
Business development	81,545	97,877
Staff services program	27,550	29,039
Other	68,519	36,769
	1,050,977	1,088,122

- a) Includes contracted strategic internal audit service and remuneration of the OAG.
b) Includes asset revaluation consultancy.
c) Includes water conservation, publicity, customer survey and general advertising.
d) Includes Directors remuneration, meeting expenses and travel and accommodation for Directors.
e) Includes conference and seminar costs and associated travel and accommodation.
f) Payroll tax was previously an overhead allocated to cost of services.

	2016	2015
	\$	\$
NOTE 16A – FINANCE COSTS		
Interest expense	20,398	22,447
	20,398	22,447

NOTE 17 – GROSS CASH SALARIES AND WAGES

Salaries and wages by department:

Finance and administration ^(a)	1,571,436	1,345,651
Water services administration ^(a)	704,365	896,563
Distribution and treatment operations ^(b)	1,184,779	1,353,531
Directors ^(c)	86,394	84,588
	3,546,974	3,680,333

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 18- TAXATION EQUIVALENT		
(a) Income tax expense		
i) Current income tax:		
Current income tax charge	1,983,086	1,528,755
Under/(over) provisions in prior periods	-	(12,815)
ii) Deferred income tax:		
Relating to origination and reversal of temporary differences	(48,312)	(43,665)
Income tax expense	1,934,774	1,472,275
(b) Amounts recognised directly in equity		
i) Deferred income tax:		
Fair value adjustments to property, plant and equipment	(326,785)	(401,872)
Income tax expense reported in equity	(326,785)	(401,872)

	2016	2015
	\$	\$
(c) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax equivalents	5,074,691	3,582,454
Tax at the statutory rate of 30% (2015: 30%)	1,522,407	1,074,736
Under/(over) provisions in prior periods	-	(12,815)
Tax effects of amounts which are not deductible in calculating taxable income	4,978	8,323
Temporary differences now brought to account	407,389	402,031
Tax loss carried forward	-	-
Income tax expense reported in Statement of Comprehensive Income	1,934,774	1,472,275

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 18 CONTINUED – TAXATION EQUIVALENT

(d) Deferred tax

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Deferred tax assets and liabilities are attributable to the following:	\$	\$	\$	\$	\$	\$
Fair value adjustments to property, plant and equipment			9,682,206	10,005,437	9,682,206	10,005,437
Interest receivable	-	-	7,480	4,760	7,480	4,760
Deferred developer contributions	-	-	106,673	118,874	106,673	118,874
Employee entitlements	(279,335)	(236,950)	-	-	(279,335)	(236,950)
Tax (assets)/liabilities	(279,335)	(236,950)	9,796,359	10,129,071	9,517,024	9,892,121
Set off of tax	279,335	236,950	(279,335)	(236,950)	-	-
Net tax liabilities	-	-	9,517,024	9,892,121	9,517,024	9,892,121

	Balance 1 July	Recognised in income	Recognised in equity	Balance 30 June
Movement in temporary differences during the year 2016:	\$	\$	\$	\$
Fair value adjustments to property, plant and equipment	10,005,437	3,554	(326,785)	9,682,206
Interest receivable	4,760	2,720	-	7,480
Deferred developer contributions	118,874	(12,201)	-	106,673
Employee entitlements	(236,950)	(42,385)	-	(279,335)
	9,892,121	(48,312)	(326,785)	9,517,024

Movement in temporary differences during the year 2015:				
Fair value adjustments to property, plant and equipment	10,416,072	8,762	(401,873)	10,005,437
Current tax liability adjustment	(176,210)	-	(176,210)	-
Interest receivable	2,160	2,600	-	4,760
Deferred developer contributions	132,568	(13,694)	-	118,874
Employee entitlements	(213,142)	(23,808)	-	(236,950)
	10,161,448	(43,664)	(225,663)	9,892,121

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 19 – OTHER FINANCIAL ASSETS		
Current		
<i>Held to maturity investments:</i>		
Operating account	850,000	1,250,000
Computer upgrade reserve	-	250,000
Asset replacement reserve	-	700,000
Headworks reserve	-	815,000
Subdivision reserve	-	222,310
Business development reserve	-	550,000
Capital reserve account	5,318,000	-
	6,168,000	3,787,310
Non Current		
<i>Held to maturity investments:</i>		
Capital reserve account	750,000	750,000
	750,000	750,000
Total Other Financial Assets	6,918,000	4,537,310

	2016	2015
	\$	\$
NOTE 20 – RECEIVABLES		
Current		
Trade debtors ^(a)	1,034,970	1,458,202
GST receivable	32,148	41,093
Sundry debtors	70,638	82,080
Accrued interest	24,932	15,865
Pensioner rate deferrals*	11,990	11,226
Total receivables	1,174,678	1,608,466

(a) Trade debtors includes unbilled income

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

	2016	2015
NOTE 21 – INVENTORIES		
Inventories held for distribution (at cost)	541,601	508,637
	541,601	508,637

	2016	2015
NOTE 22 – OTHER ASSETS		
Current		
Prepayments	120,021	87,122
Current tax asset	-	-
	120,021	87,122
Non current		
Work in progress	529,890	526,078
	529,890	526,078

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 23 – PROPERTY, PLANT AND EQUIPMENT		
Land at fair value	5,314,586	5,311,136
Buildings at fair value	5,125,020	5,134,307
Accumulated depreciation	(1,507,154)	(1,387,113)
	3,617,864	3,747,194
Mains at fair value	79,350,782	78,527,594
Accumulated depreciation	(29,073,715)	(28,055,078)
	50,277,067	50,472,516
Treatment plants at fair value	8,980,984	8,843,718
Accumulated depreciation	(4,519,542)	(4,254,080)
	4,461,442	4,589,638
Reservoirs at fair value	29,900,910	28,685,288
Accumulated depreciation	(11,183,157)	(10,602,054)
	18,717,753	18,083,234
Bores and pumps fair value	6,700,065	6,663,688
Accumulated depreciation	(2,260,516)	(1,892,905)
	4,439,549	4,770,783
Services at fair value	256,806	195,229
Accumulated depreciation	(19,360)	(8,673)
	237,446	186,556

	2016	2015
	\$	\$
Plant and equipment at cost	1,901,911	1,837,442
Accumulated depreciation	(1,147,700)	(1,016,911)
	754,211	820,531
Motor vehicles at cost	727,382	775,903
Accumulated depreciation	(323,305)	(318,878)
	404,077	457,025
Office equipment at cost *	912,020	812,329
Accumulated depreciation	(756,425)	(637,542)
	155,595	174,787
Tools at cost	22,775	22,775
Accumulated depreciation	(19,223)	(18,629)
	3,552	4,146
Total property, plant and equipment	88,383,143	88,617,546

*Includes intangible assets of \$64,299 (written down value, 2015 = \$147,710).

NOTE 23 CONTINUED – PROPERTY, PLANT AND EQUIPMENT

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

	Carrying amount at start of year	Additions	Disposals	Transfers between categories	Revaluation increments (decrements) to asset revaluation reserve	Revaluation increments (decrements) to income statement	Impairment losses	Impairment losses reversed	Depreciation	Carrying amount at end of year
2016	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land at fair value	5,311,136	3,450	-	-	-	-	-	-	-	5,314,586
Buildings at fair value	3,747,194	40,916	-	(50,203)	-	-	-	-	(120,043)	3,617,865
Mains at fair value	50,472,516	761,839	-	50,203	-	-	-	-	(1,007,491)	50,277,067
Treatment plants at fair value	4,589,638	133,599	-	-	-	-	-	-	(261,795)	4,461,442
Reservoirs at fair value	18,083,234	1,215,499	-	-	-	-	-	-	(580,980)	18,717,754
Bores and pumps at fair value	4,770,783	36,377	-	-	-	-	-	-	(367,611)	4,439,549
Services at fair value	186,556	61,577	-	-	-	-	-	-	(10,687)	237,446
Plant and equipment at cost	820,531	91,651	6,088	-	-	-	-	-	(151,883)	754,211
Motor vehicles at cost	457,025	129,917	(97,054)	-	-	-	-	-	(85,811)	404,076
Office equipment at cost	174,787	113,496	998	-	-	-	-	-	(131,690)	155,595
Tools at cost	4,146	-	-	-	-	-	-	-	(592)	3,552
TOTALS	88,617,546	2,588,321	(104,140)	-	-	-	-	-	(2,718,582)	88,383,143

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 23 CONTINUED – PROPERTY, PLANT AND EQUIPMENT

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

	Carrying amount at start of year	Additions	Disposals	Transfers between categories	Revaluation increments (decrements) to asset revaluation reserve	Revaluation increments (decrements) to income statement	Impairment losses	Impairment losses reversed	Depreciation	Carrying amount at end of year
2015	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land at fair value	5,311,136	-	-	-	-	-	-	-	-	5,311,136
Buildings at fair value	3,864,178	2,859	-	-	-	-	-	-	(119,843)	3,747,194
Mains at fair value	50,680,756	834,285	-	(56,057)	-	-	-	-	(986,667)	50,472,516
Treatment plants at fair value	4,478,284	360,983	-	-	-	-	-	-	(249,629)	4,589,638
Reservoirs at fair value	17,394,631	1,225,309	-	-	-	-	-	-	(536,706)	18,083,234
Bores and pumps at fair value	5,126,636	30,522	-	-	-	-	-	-	(386,375)	4,770,783
Services at fair value	-	137,149	-	56,057	-	-	-	-	(6,650)	186,556
Plant and equipment at cost	959,656	9,758	-	-	-	-	-	-	(148,883)	820,531
Motor vehicles at cost	501,411	225,435	(177,620)	-	-	-	-	-	(92,201)	457,025
Office equipment at cost	326,338	5,007	-	-	-	-	-	-	(156,558)	174,787
Tools at cost	4,740	-	-	-	-	-	-	-	(592)	4,146
TOTALS	88,647,766	2,831,307	(177,620)	-	-	-	-	-	(2,684,104)	88,617,546

NOTE 23A – FAIR VALUE MEASUREMENT

Assets measured at fair value	Level 1	Level 2	Level 3	Fair Value
2016				
Land at fair value	-	2,770,000	2,544,586	5,314,586
Buildings at fair value	-	1,630,061	1,987,803	3,617,864
Mains at fair value	-		50,277,067	50,277,067
Services at fair value	-		237,446	237,446
Treatment plants at fair value	-		4,461,442	4,461,442
Reservoirs at fair value	-		18,717,753	18,717,753
Bores and pumps at fair value	-		4,439,549	4,439,549
	-	4,400,061	82,665,646	87,065,709

Assets measured at fair value	Level 1	Level 2	Level 3	Fair Value
2015				
Land at fair value	-	2,770,000	2,541,136	5,311,136
Buildings at fair value	-	1,700,356	2,046,838	3,747,194
Mains at fair value	-		50,472,516	50,472,516
Services at fair value	-		186,556	186,556
Treatment plants at fair value	-		4,589,638	4,589,638
Reservoirs at fair value	-		18,083,234	18,083,234
Bores and pumps at fair value	-		4,770,783	4,770,783
	-	4,470,356	82,690,701	87,161,057

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

Valuation techniques to derive Level 2 fair values

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 23A CONTINUED – PROPERTY, PLANT AND EQUIPMENT

a) Fair value measurements using significant unobservable inputs (Level 3) 2016	Land	Buildings	Mains	Services	Treatment plants	Reservoirs	Bores and pumps
Fair value at start of period	2,541,136	2,046,838	50,472,516	186,556	4,589,638	18,083,234	4,770,783
Additions	3,450	40,916	761,839	61,577	133,599	1,215,499	36,377
Revaluation increments/(decrements) recognised in Profit or Loss	-	-	-	-	-	-	-
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-	-	-	-	-	-
Transfers (from/(to) Level 2)	-	-	-	-	-	-	-
Transfers between categories	-	(50,203)	50,203	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation Expense	-	(49,748)	(1,007,491)	(10,687)	(261,795)	(580,980)	(367,611)
Fair value at end of period	2,544,586	1,987,803	50,277,067	237,446	4,461,442	18,717,753	4,439,549
Total gains or losses for the period included in profit or loss, under 'Other Gains'	-	-	-	-	-	-	-
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	-	-	-	-	-	-	-

b) Fair value measurements using significant unobservable inputs (Level 3) 2015	Land	Buildings	Mains	Services	Treatment plants	Reservoirs	Bores and pumps
Fair value at start of period	2,541,136	2,096,585	50,680,756	-	4,478,284	17,394,631	5,126,636
Additions	-	-	834,285	137,149	360,983	1,225,309	30,522
Revaluation increments/(decrements) recognised in Profit or Loss	-	-	-	-	-	-	-
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-	-	-	-	-	-
Transfers (from/(to) Level 2)	-	-	-	-	-	-	-
Transfers between categories	-	-	(56,057)	56,057	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation Expense	-	(49,748)	(986,667)	(6,650)	(249,629)	(536,706)	(386,375)
Fair value at end of period	2,541,136	2,046,838	50,472,516	186,556	4,589,638	18,083,234	4,770,783
Total gains or losses for the period included in profit or loss, under 'Other Gains'	-	-	-	-	-	-	-
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	-	-	-	-	-	-	-

NOTE 23A CONTINUED – FAIR VALUE MEASUREMENT**c) Valuation Processes**

There were no changes in valuation techniques during the period.

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

Fair value for existing use specialised buildings and infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost.

Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset.

Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

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

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

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

i) Consumed economic benefit/obsolescence of asset

These are estimated by AON Valuation Services.

ii) Selection of Land with restricted utility

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

d) Basis of Valuation

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

NOTE 23A CONTINUED – FAIR VALUE MEASUREMENT

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

Description	Fair Value 2016 (\$000)	Fair Value 2015 (\$000)	Valuation technique(s)	Unobservable inputs
Land	2,544	2,541	Market comparison approach	Restriction of Use Discount Selection of Land with similar approximate utility
Buildings	1,988	2,047	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset
Mains	50,277	50,473	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset
Services	237	187	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset
Treatment plants	4,461	4,590	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset
Reservoirs	18,718	18,083	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset
Bores and pumps	4,440	4,771	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$

NOTE 24 – IMPAIRMENT OF ASSETS

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2016. Aqwest held no goodwill or intangible assets with an indefinite useful life during the reporting period.

At the end of the reporting period, there were no intangible assets not yet available for use. All surplus assets at 30 June 2016 have either been classified as assets held for sale or written-off.

NOTE 25A - PAYABLES

Current

Trade creditors ^(a)	981,128	1,035,840
Accrued salaries and wages	25,019	-
Income in advance	32,519	31,219
	1,038,666	1,067,059

a) Trade creditors include accrued expenses

	2016	2015
	\$	\$

NOTE 25B - BORROWINGS

Current

Accrued interest	1,615	1,828
Western Australian Treasury Corporation (WATC) loan	57,328	55,217
	58,943	57,045

Non current

Western Australian Treasury Corporation (WATC) loan	393,048	450,376
	393,048	450,376

NOTE 25C – CURRENT TAX LIABILITIES

Current tax liability	593,091	696,159
	593,091	696,159

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 26 - PROVISIONS		
(a) Current		
(i) Employee benefits provisions:		
Annual leave ^(a)	272,642	239,323
Long service leave ^(b)	307,942	290,386
Rostered days off ^(c)	4,712	5,368
Time in lieu ^(c)	17,380	21,722
Personal leave ^(d)	147,513	119,914
	750,189	676,713
(ii) Other provisions:		
Employment on costs ^(e)	74,452	50,784
Total current provisions	824,641	727,497
(b) Non current		
(i) Employee benefits provisions:		
Long service leave ^(b)	97,317	61,595
(ii) Other provisions:		
Employment on costs ^(e)	17,249	8,831
Total non current provisions	114,566	70,426
Employment on-costs provision		
Opening Balance	59,615	51,817
Additional / (reversal of) provisions recognised	53,109	25,789
Payments / other sacrifices of economic benefit	(21,022)	(17,992)
Unwinding of the discount	-	-
	91,701	59,615

	2016	2015
	\$	\$
a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of liabilities will occur within 12 months of the reporting period.		
b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of reporting period	65,059	56,317
More than 12 months after reporting period	341,560	295,664
	406,619	351,981
c) Rostered days off and time in lieu liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur within 12 months of the reporting period.		
d) Personal leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of reporting period	23,993	19,523
More than 12 months after reporting period	123,520	100,391
	147,513	119,914

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 27 – DEFERRED TAX LIABILITIES		
Deferred tax liabilities	9,517,024	9,892,121
	9,517,024	9,892,121

NOTE 28 – EQUITY

Aqwest maintains the following reserves:

(a) Cash reserves

Computer upgrade reserve

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

Balance at start of period	292,857	244,292
Transfers to reserve	-	59,433
Transfers from reserve ^(a)	(292,857)	(10,868)
Balance at end of period	-	292,857

Asset replacement reserve

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

Balance at start of period	705,613	-
Transfers to reserve	-	2,608,646
Transfers from reserve ^(a)	(705,613)	(1,903,032)
Balance at end of period	-	705,613

	2016	2015
	\$	\$
Headworks reserve (to fund augmentation works to service growth requirements)		
Balance at start of period	832,461	207,364
Transfers to reserve	-	738,405
Transfers from reserve ^(a)	(832,461)	(113,308)
Balance at end of period	-	832,461
Mains subdivision reserve (to fund subdivisional development)		
Balance at start of period	242,047	222,626
Transfers to reserve ^(a)	-	36,588
Transfers from reserve	(242,047)	(17,167)
Balance at end of period	-	242,047
Business development reserve (to fund future business development)		
Balance at start of period	553,639	634,432
Transfers to reserve ^(a)	-	21,953
Transfers from reserve	(553,639)	(102,747)
Balance at end of period	-	553,639
Capital reserve (to cater for the ongoing replacement of Aqwest's capital infrastructure)		
Balance at start of period	-	-
Transfers to reserve	6,233,931	-
Reserves amalgamation ^(a)	2,626,615	-
Transfers from reserve	(2,641,898)	-
Balance at end of period	6,218,648	-
Total reserves:		
Total opening balances	2,626,615	1,308,714
Total transfers to reserves	6,233,931	3,465,025
Total transfers from reserves	(2,641,898)	(2,147,122)
Total cash reserves	6,218,648	2,626,617

a) Reserves were amalgamated into one capital reserve account during the year to 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 28 CONTINUED- RESERVES		
(b) Asset revaluation reserve		
Balance at start of period	50,949,853	50,635,413
Gains/(losses) from asset revaluation	-	-
Tax effect of revaluation (increments)/ decrements	228,069	314,440
Balance at end of period	51,177,922	50,949,853
Total reserves	57,396,570	53,576,468
(c) Retained Earnings		
Balance at start of period	30,150,250	29,446,751
Result for the period	3,139,917	2,110,180
Income and expense recognised directly in equity ^(a)	98,716	(88,778)
Transfers to reserves	(6,233,931)	(3,465,025)
Transfers from reserves	2,641,898	2,147,122
Dividends paid	(1,218,018)	
Balance at end of period	28,578,832	30,150,250
Total Equity at end of period	85,975,402	83,726,718

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

	2016	2015
	\$	\$
NOTE 28A - DIVIDENDS		
The following dividends were declared and paid by Aqwest for the year 30 June:		
Final dividend payment for the prior year	1,218,018	-

Dividends not recognised at year end

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 2016 out of retained profits at 30 June 2016 is \$1.982 million, but not recognised as a liability at year end.

NOTE 29 – FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

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

(i) Credit risk

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

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

All debts pertaining to water sales are secured against the land to which debts relate. Receivable balances are monitored on an ongoing basis with the result that Aqwest's exposure to bad debts is minimal. At the end of the reporting period, there were no significant concentrations of credit risk.

NOTE 29 CONTINUED – FINANCIAL INSTRUMENTS

(ii) Liquidity risk

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

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

(iii) Market risk

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

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

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

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

(b) Categories of financial instruments

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

	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents	848,048	802,242
Receivables ^(a)	1,142,530	1,567,373
Held to maturity investments	6,918,000	4,537,310
	<u>8,908,578</u>	<u>6,906,925</u>
Financial liabilities		
Payables ^(b)	1,006,147	1,035,840
WATC loan	451,991	507,421
	<u>1,458,138</u>	<u>1,543,261</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 29 CONTINUED – FINANCIAL INSTRUMENTS

(c) Financial instrument disclosures

(i) Credit risk

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

Ageing analysis of financial assets:	Carrying amount \$	Not past due (current)	Not past due (deferred) (b)	Past due but not impaired	
				Less than one year \$	One year or more \$
2016					
Cash and cash equivalents	848,048	-	-	-	-
Receivables ^(a)	1,142,530	892,733	11,990	121,739	116,068
Held to maturity investments	6,918,000	-	-	-	-
	8,908,578	892,733	11,990	121,739	116,068
2015					
Cash and cash equivalents	802,242	-	-	-	-
Receivables ^(a)	1,567,373	1,417,781	11,226	50,652	87,714
Held to maturity investments	4,537,310	-	-	-	-
	6,906,925	1,417,781	11,226	50,652	87,714

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

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

NOTE 29 CONTINUED – FINANCIAL INSTRUMENTS
(c) Financial instrument disclosures continued
(ii) Liquidity risk and interest rate risk

The following table discloses Aqwest's maximum exposure to interest rate risk and a contractual maturity analysis of financial assets and liabilities. The contractual maturity amounts in the table are representative of the undiscounted amounts at the end of the reporting period. Adjustments for discounting have not been made due to immateriality. The interest rate exposure section analyses only the carrying amounts of each item. Aqwest does not hold any collateral as security or other credit enhancements relating to the financial assets it holds. Aqwest does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due. The maturity analysis section includes principal cash flows only.

2016	Weighted average interest rate %	Carrying amount \$	Interest rate exposure			Maturity date			
			Variable interest rate \$	Non interest bearing \$	Fixed interest rate \$	Up to 3 months \$	3 months to 12 months \$	1 – 2 years \$	More than 2 years \$
Financial assets									
Cash and cash equivalents	1.69	848,048	846,548	1,500	-	848,048	-	-	-
Receivables ^(a)	-	1,142,530	-	1,142,530	-	1,142,530	-	-	-
Held to maturity investments	3.01	6,918,000	-	-	6,918,000	6,168,000	-	-	750,000
		8,908,578	846,548	1,144,030	6,918,000	8,158,578	-	-	750,000
Financial liabilities									
WATC loan	3.77	451,991	-	-	451,991	14,131	43,197	59,160	335,503
Payables ^(b)	-	1,006,147	-	1,006,147	-	1,006,147	-	-	-
		1,458,138	-	1,006,147	451,991	1,020,278	43,197	59,160	335,503

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

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

NOTE 29 CONTINUED – FINANCIAL INSTRUMENTS

(c) Financial instrument disclosures continued

(ii) Liquidity risk and interest rate risk continued

2015	Weighted average interest rate %	Carrying amount \$	Interest rate exposure			Maturity date			
			Variable interest rate \$	Non interest bearing \$	Fixed interest rate \$	Up to 3 months \$	3 months to 12 months \$	1 – 2 years \$	More than 2 years \$
Financial assets									
Cash and cash equivalents	2.11	802,242	800,742	1,500	-	802,242	-	-	-
Receivables ^(a)	-	1,567,373	-	1,567,373	-	1,567,373	-	-	-
Held to maturity investments	3.39	4,537,310	-	-	4,537,310	3,787,310	-	-	750,000
		6,906,925	800,742	1,568,873	4,537,310	6,156,925	-	-	750,000
Financial liabilities									
WATC Loan	3.77	507,421	-	-	507,421	13,611	41,606	57,328	394,876
Payables ^(b)	-	1,035,840	-	1,035,840	-	1,035,840	-	-	-
		1,543,261	-	1,035,840	507,421	1,049,451	41,606	57,328	394,876

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

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

NOTE 29 CONTINUED – FINANCIAL INSTRUMENTS
(d) Interest rate sensitivity analysis

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

2016	Carrying amount \$	- 1% change		+ 1% change	
		Profit \$	Equity \$	Profit \$	Equity \$
Financial assets					
Cash and cash equivalents	846,548	(8,465)	(8,465)	8,465	8,465
Other financial assets	6,918,000	(69,180)	(69,180)	69,180	69,180
Financial liabilities					
WATC Loan	451,991	(4,520)	(4,520)	4,520	4,520
Total increase/(decrease)		(82,165)	(82,165)	82,165	82,165
2015					
Financial assets					
Cash and cash equivalents	800,742	(8,007)	(8,007)	8,007	8,007
Other financial assets	4,537,310	(45,373)	(45,373)	45,373	45,373
Financial liabilities					
All non interest bearing	507,421	(5,074)	(5,074)	5,074	5,074
Total increase/(decrease)		(58,454)	(58,454)	58,454	58,454

(e) Fair Values

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$

NOTE 30 – NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

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

Current accounts

Working account	841,268	706,228
At call deposit	-	-
Headworks reserve account	-	23,910
Computer upgrade reserve account	-	42,912
Subdivision reserve account	-	20,805
Asset replacement reserve account	-	2,462
Business development reserve account	-	4,175
Capital reserve account	5,030	-
Floats	1,750	1,750
	848,048	802,242

	2016	2015
	\$	\$

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

Profit after income tax equivalents	3,139,917	2,110,180
Non cash items:		
Depreciation	2,718,582	2,684,106
(Gain)/loss on disposal of non current assets	6,090	37,830
Impairment losses reversed	-	-
Developer contributions	(89,295)	(236,302)
(Increase)/decrease in assets:		
Trade and other debtors	424,843	(104,134)
Inventories	(32,964)	76,706
Prepayments	(32,899)	(8,449)
Increase/(decrease) in liabilities:		
Trade creditors and accruals (a)	(205,772)	(399,424)
Finance Costs (a)	(595)	(595)
Employee provisions	141,284	79,361
Other items:		
Income tax equivalents	1,934,774	1,472,275
Finance costs (a)	20,993	23,043
Operating subsidy	(811,000)	(479,000)
Local government rate equivalent	42,710	88,666
Net GST receipts/(payments)	(9,320)	61,894
Change in GST receivable/payable	8,945	(15,222)
Net cash provided by/(used in) operating activities	7,256,293	5,390,934

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$

NOTE 31 – CREDIT STANDBY ARRANGEMENTS AND LOAN FACILITIES

(a) Credit standby arrangements

Aqwest's bankers provide standby funds. A total of \$1,000,000 is accessible by Aqwest. The bank overdraft facility may be drawn at any time and is subject to annual review. At 30 June 2016, an aggregate amount of \$1,000,000 remained unused (2015: \$1,000,000 unused).

(b) Summary of loan facilities

Credit standby arrangement	1,000,000	1,000,000
	1,000,000	1,000,000

NOTE 32 – REMUNERATION OF AUDITOR

Remuneration paid or payable to the 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	37,600	38,900
	37,600	38,900

NOTE 33 – NON CANCELLABLE OPERATING LEASE REVENUE

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

Within 1 year	20,465	58,565
Later than 1 year but not later than 5 years	37,002	57,467
Later than 5 years	-	-
	57,467	116,032

	2016	2015
	\$	\$

NOTE 34 – COMMITMENTS FOR EXPENDITURE

(a) Operating expenditure commitments

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

Within 1 year	170,713	130,934
Later than 1 year but not later than 5 years	144,689	166,239
	315,402	297,173

(b) Capital expenditure commitments

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

Within 1 year	949,686	799,154
	949,686	799,154

The capital commitments include amounts for:

Reservoirs	949,686	799,154
	949,686	799,154

NOTE 35 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2016, there are no material contingent assets or liabilities to report.

NOTE 36 – SUBSEQUENT EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no events subsequent to reporting date which would have a material effect Aqwest's financial statements at 30 June 2016.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

BUNBURY WATER CORPORATION

I have audited the financial report of the Bunbury Water Corporation. The financial report comprises the Statement of Financial Position as at 30 June 2016, 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.

Opinion

In my opinion, the financial report of the 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 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility for the audit of the Financial Report

As required by the Water Corporations Act 1995, my responsibility is to express an opinion on the financial report based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Bunbury Water Corporation for the year ended 30 June 2016 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 this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



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

3 August 2016



