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TOURISM
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G O L D
A W A R D



Change Agent nb P/L to Outback Astronomy
ABN96 159 360 844

18817 Barrier Highway
BROKEN HILL NSW 2880

PO Box 1087 BROKEN HILL NSW 2880

7 September 2022

info@outbackastronomy.com.au

www.outbackastronomy.com.au

Ph 0427 055 255



Independent Pricing and Regulatory Tribunal

PO Box K35

Haymarket Post Shop

Sydney NSW 1240

Dear IPART Staff and Tribunal Members

Final Submission after Public Hearing in Broken Hill, 6/9/22

Please find attached my final thoughts after the hearing.

Thank you.

Yours sincerely

Linda Nadge

Outback Astronomy



Thank you for the opportunity to respond to water prices in Broken Hill contained in the draft determination dated June 2022.

I thank IPART for taking some strong action to cap water revenue paid to Essential Energy following a very long time of overcharging the Broken Hill community for some of the corporate overheads in their Port Macquarie headquarters.

I am grateful that the consultants, who worked on behalf of IPART during the previous three determinations, and this draft determination, exposed this issue. Revenue targets are converted into water prices and IPART was able to see ways for more efficient cost management at Essential Energy, reducing the revenue target, and this in turn kept the price of treated water neutral for most people in Broken Hill, apart from inflation. Inflation in itself will be significant and barely affordably by most, sending many backwards. This means that yet again people will stop watering yards. Less greenery again going forward.

Nonetheless, I'm personally grateful that the consultant reports were published online, available for all interested parties to read. As a customer facing a big price increase I was able to see what was going on in a general way over the last 10 years.

When I regard documentation from beyond 10 years ago, I see how Essential Energy have made a big corporate meal out of the tiny Broken Hill water snack ever since a merger in 2005 when the Broken Hill district's electricity and water operations were incorporated into the EE area of operations, see historical information snippets appended. The very high cost of administration and management (for electricity AND water) set in back in 2005 was set up way back then with a whopping 295% increase in the first year of the merger.

Unfortunately for Broken Hill's water customers this increase has been impacting very high water bills for the last 17 years. Ages back, eg in 2004 and 2005, the expenditure details were transparently reported explaining costs to deliver operations and management services in the Broken Hill and district water and sewerage area. All this time later, and in every annual report since the merger, as far as I can see, there is no accountability and no detail provided. The expenditure hump due to the merger way back in 2005 has been costing customers in Broken Hill ever since.

This is playing out badly for the area. It is too expensive to water plants and Broken Hill is looking less green as a consequence, as noted by one of the Tribunal members yesterday after visiting for the second time after a 15 year gap.

We are stuck with a very bad outcome that meant high management costs (and much of it electricity costs) very quickly became embedded in the water supply business and they are now seen as normal. Rotten high costs have become even more entangled as water and electricity costs have been merged and made muddy.

These days, IPART is in a difficult position – on the one hand trying to balance deteriorating economic conditions and affordability of water bills in Broken Hill, while on the other hand having to decide on water pricing to raise sufficient revenue to meet the rising costs of business for Essential Energy without allowing excessive overcharging, and without transparency of real costs.

However, the decline in Broken Hill's population may now mean it is all too late. The population necessary to sustain operations at breakeven point even, has been allowed to slide.

Essential Energy, I heard yesterday (6/9/22) at the hearing, may have started to trim its internal operating costs in this difficult environment where everyone is facing rising costs. I'm facing rising costs too! However Essential Energy's overall operating costs are still very high compared to the historical profit and loss statements at the time Essential Energy took over the operations of the water supply business. I am specifically referring to the shared corporate costs – not the rationale for the shared corporate costs in Port Macquarie but the methodology used to calculate the percentage of these costs passed on to water customers in Broken Hill. I am still sceptical about how Essential Energy will know it is reducing costs when they don't transparently report any costs about the water business. Their annual reports are devoid of detail. Consultants do desktop reviews, interviews and can request data – but they don't see the books.

Reports from consultants over the last three determinations and the current one confirmed administration costs were very high due to excessive overcharging for shared corporate services in the Port Macquarie office. If this issue has been partly dealt with, great. But I suspect there may be more work to make Essential Energy more efficient with its costs because, compared to the historical costs of administration and management, the current costs are still very high (simply compare previous annual reports of predecessor entities as attached in some snips from old annual reports). The small Broken Hill water supply business is not a complex business operation – rather it's a predictable, steady infrastructure business.

Over the last few determinations, it was also decided to remove granularity of water pricing in Broken Hill. You can see some of the details in the old reports. Grainy pricing was helpful for customers – those who received dirty untreated water naturally received this at a discount, typically half the rate of the treated price. The loss of such pricing granularity means that pipeline customers, like me, who would typically have larger land areas and therefore higher watering uses eg vegetation, livestock, are being required to pay almost the same price as the majority of customers who receive treated water.

Water pricing should be reflecting an understanding that all customers are not the same and that the water product supplied to different customer types can be different.

It is simply lazy customer and product analytics that has caused this problem. Essential Energy (Port Macquarie) apparently has no idea about customers here because they don't bother talking to their customers. Yesterday at the hearing I heard the great covid excuse raised as a reason to stop people travelling in region. Why couldn't mail services be used? Social media? Direct emails or phone calls? Zoom or Teams?

The local Essential Energy workforce do know their customers but act as if they have been given tape to put over their mouths.

If this monopoly water business's "administration and management" department in Port Macquarie does not know its customer base how am I supposed to be confident that they have any idea about the analysis they conduct? From the little relevant detail provided in their pricing proposal, I'd guess the internal price-setting process is mostly about working out the proper ratio of tariff to customer numbers to generate income that matches the calculated revenue target. Seems rather lazy and inappropriate and takes no regard for productivity or endeavour in semi-rural settings, or the need to regard water products or water quality that is relevant to customer needs.

Specifically, there is a significant difference between treated and untreated water yet the Essential Energy pricing proposal is now tending to treat them as extremely similar. It puts pipeline customers at a huge disadvantage as they must invest in their own water treatment before they can use their water the way all other treated water customers can. It is a high cost disadvantage and grossly unfair.

Water use by customers in the region differs by customer type and customer location, the size of the property receiving the water supply and whether or not significant vegetation and livestock needs exist on those properties.

Overall, the high cost of water tells all customers to stop using it wherever possible, eg vegetation or outdoor cleaning, possibly at times to avoid use of evaporative coolers. Amenity is on the decline due to high pricing of water and it is likely population decline is also directly related to high prices.

The direction of water flow for pipeline customers has been introduced as the rationale to justify increase of water prices for untreated water customers. I disagree. The pipeline between Broken Hill and Stephens Creek was put in place in the 1950s for the purpose of making life out here in this semi-arid area easier and to support industry and productivity. Economics and pricing came into the picture for this segment of the pipeline in 2019, so I heard at the hearing. I think it is very unfair to introduce new principles and place the burden of responsibility for this very short section of pipeline on just a very few pipeline customers.

Since Essential Energy opted to make Stephens Creek the new emergency storage due to the Imperial Lake decommissioning, then two way water flows would be seen as more routine than exceptional and hence two way flows should not be justifying big price increases to a handful of customers.

Is it right or fair to ask a dozen pipeline customers to subsidise the cost of maintaining the emergency water supply that services the 18,000 treated water customers in the Broken Hill township?

The subsidy for the Wentworth pipeline by the New South Wales Government for the next four years provides welcome relief to the local community but there will be ongoing concerns by customers about how this pipeline service will be paid for at the end of those four years.

Likewise, the gravity feed of water to Menindee pipeline grazing customers until a new pipeline of supply is constructed will create more price shocks for customers who, like me, receive the surprise of the price burden after the decisions are made. Lack of customer consultation has been a catastrophic failing of this determination, and that in 2019, as far as pipeline customers are concerned.

There was no attempt to consult with Outback Astronomy about these significant pricing changes demonstrating lack of care, aloofness and arrogance of the monopoly water supplier Essential Energy.

Amongst my biggest concerns is that a small business like Outback Astronomy is facing these steep price increases in the middle of recovery after pandemic lockdowns that included many months of forced revenue losses that I can never recover. I don't have a true up. With the near-doubling of the price of untreated water in the coming years I will be forced to change vegetation management behaviours and change business plans. The impact of nearly doubling the price of water will materially impact how this business operates moving forward.

The cost of water to a small business like Outback Astronomy will rapidly rise to become the most expensive operating cost after labour costs if the draft determination prices make it into the final determination. This small business is already saving water wherever possible, using rainwater wherever possible, using a variety of Wi-Fi and manual timers for watering processes, and recycling every drop of pipeline water through our own wastewater treatment plant, installed and fully maintained at our expense.

About 97% of water received supplied from the pipeline to Outback Astronomy is used in its untreated state to water vegetation and local wildlife – depending on temperature, rainfall, soil moisture and weather cycles.

This property's water needs are high for this reason. We've attempted to develop new grassed areas and shaded gardens for use by customers during café operations. The pandemic has taught humans to enjoy the outdoors more to stay safe and reduce virus transmission. However, now I am being told that this outdoors space in my small tourism business is going to become unaffordable. I cannot call in a true up mechanism to make up costs for water when it doesn't rain the average annual rainfall amount.

About 3% of water received from the pipeline at Outback Astronomy is treated on site by several water treatment plants installed by Outback Astronomy in order to operate a commercial kitchen as water in use in that kitchen must meet the Australian Drinking Water Guidelines.

- Tourists presently enjoy the amenity of an outback location to enjoy landscape vistas and colourful sunsets from dusk into the evenings

- Outback Astronomy's daytime programs are currently closed due to building renovations, protracted by difficulty in getting trades people
- Plans to attract tourists to Outback Astronomy's day programs once the current renovations are finished have been thrown into uncertainty – it is relevant that I have a grassed yard for these activities

Whether or not Outback Astronomy can resume daytime programs such as solar gazing and the café operations is linked to the amenity of the property and affordability of untreated water.

I'm also aware that so far in this determination period, I am the only person speaking up against the planned price rises for untreated water. I do feel my voice is too small to have any impact. I must now prepare to think about how I can diminish plans and curtail business aspirations as I will need to cease watering big areas of the property.

Dramatic changes to my business plans will, in turn, deliver some degree of hurt to the community which has been a major beneficiary of the existence of Outback Astronomy, eg accommodation, cafes and restaurants, clubs and pubs, vehicle services. Our private investment and business efforts have been very good for the region and township of Broken Hill.

Since March 2022 Outback Astronomy has ensured all customer bookings are received online and we can measure how far out these bookings are made in advance of the stargazing tours. We know that 70% of customers book between 4 days and 90 days ahead, well in advance of their planned arrival in the area. In other words, Outback Astronomy has started to do what our business vision was always intended to do – drive visitation to the area, help our community grow, by offering customers one of Australia's best astronomy tourism attractions.

Demerge Broken Hill Water from Essential Energy

I repeat that I believe the NSW Government should demerge water operations from Essential Energy. This is the only way this community can transparently back itself into the future and promote growth, maintain liveability and respect the rights and differences of water customers. Government subsidies going forward would also be more transparent.

Appendix – Historical Financials

1. Broken Hill Water Board Annual Report 1999-00

| START OF THE AUDITED FINANCIAL STATEMENTS | | | |
|--|------|-------------------------|---------------|
| INCOME AND EXPENDITURE STATEMENT | | | |
| 1999-00 | | | |
| | NOTE | 1/1/99 to 30/6/99 | 1999-00 |
| | | \$'000 | \$'000 |
| INCOME | | | |
| Rates & Charges (Net) | 2 | 4,211 | 6,643 |
| Mining Companies Water | | 89 | 191 |
| Investment Income | | 132 | 69 |
| Other Income | | 68 | 283 |
| Proceeds on Disposal of Assets | | 134 | 420 |
| Decrease in Provision for Doubtful Debts | | | 78 |
| | | 4,634 | 7,684 |
| EXPENDITURE | | | |
| Operations & Maintenance | | 3,706 | 7,117 |
| Administration & Management | | 1,347 | 2,686 |
| Interest on Loans | | 324 | 371 |
| Depreciation | 1(f) | 1,349 | 2,901 |
| Written Down Value of Asset Disposals | | 312 | 321 |
| Provision for Employee Entitlements | | 81 | 180 |
| Bad Debts | | 7 | 28 |
| Provision for Doubtful Debts | | 270 | |
| | | 7,396 | 13,604 |
| OPERATING SURPLUS (DEFICIENCY) | | | |
| PRIOR TO DEFICIENCY SUBSIDIES | | (2,762) | (5,920) |
| Less Deficiency Subsidies | 1(g) | 2,465 | 5,758 |
| OPERATING SURPLUS(DEFICIT) | | (297) | (162) |
| Accumulated Funds – Opening Balance | | 14,429 | 14,635 |
| TOTAL AVAILABLE FOR APPROPRIATION | | 14,132 | 14,473 |
| Transfer from: | | | |
| Revaluation Reserve | | 182 | |
| Provision for Major Periodic Maintenance | | 321 | |
| ACCUMULATED FUNDS – CLOSING BALANCE | | 14,635 | 14,473 |

Notes to and forming part of the financial statements

NB ... Water/sewerage alone

- Operations and maintenance expenditure \$7.1M
- Administration and management expenditure \$2.6m

2. AIEWI Annual Report 2004-05

(First year of the merger with Country Energy, now Essential Energy)

| Australian Inland Energy Water Infrastructure Statement of Financial Performance for the year ended 30 June 2005 | | | |
|---|-------|-----------------|----------------|
| | Notes | 2005 \$'000 | 2004 \$'000 |
| Revenue from ordinary activities | 3.1 | 63,582 | 61,789 |
| Expenses from Ordinary Activities | | | |
| Cost of Sales | 3.2 | (24,093) | (26,670) |
| Operations and Maintenance | | (26,523) | (24,078) |
| Administration and Management | | (32,425) | (11,035) |
| | | (83,041) | (61,782) |
| Profit/(Loss) from ordinary activities before income tax expense | | (19,459) | 7 |
| Income Tax Credit | 18 | 6,194 | 456 |
| Profit/(Loss) from ordinary activities after income tax expense | | (13,265) | 463 |
| Net profit/(loss) | | (13,265) | 463 |
| Net increase / (decrease) in asset revaluation reserve | 11(b) | (62,892) | (51) |
| Contribution by Owners | 11(b) | - | 5,500 |
| Total changes in equity other than those resulting from transactions with owners as owners | | (76,157) | 5,912 |
| The above Statement of Financial Performance should be read in conjunction with the accompanying notes. | | | |

NB ... 2004 pre merger (including electricity – most of the costs, water/sewerage)

- Operations and maintenance expenditure \$24M
- Administration and management expenditure \$11m

NB ... 2005 post merger (including electricity- most of the costs, water/sewerage)

- Operations and maintenance expenditure \$26M **UP 8% in just one year**
- Administration and management expenditure \$32.4m **UP 295%**

Broken Hill
Water Board
Annual Report
1999-00



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LETTER TO MINISTER

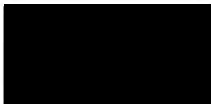
The Honourable R Amery MP
Minister for Land and Water Conservation
Level 17
Parkview
157 Liverpool Street
SYDNEY NSW 2000

Dear Minister

I am pleased to submit to you for presentation to Parliament, the Annual Report of the Broken Hill Water Board for the financial year ended 30 June 2000.

The report has been prepared in accordance with the provisions of the Annual Reports (Statutory Bodies) Act, 1984, the Public Finance and Audit Act, 1983, and the Regulations under those Acts.

Yours faithfully



MS Dobbin
Acting General Manager

ABOUT THE BOARD

Charter

The Broken Hill Water Board is administered under the Water Supply Authorities Act, 1987. In accordance with this legislation, the Board is responsible for:

- ◆ ensuring that the water and related resources within the Board's area of operations are allocated and used in ways which are consistent with environmental requirements and provide the maximum long-term benefit for the area and the State; and
- ◆ providing water and sewerage related services to meet the needs of users in a commercial manner consistent with the overall policies of the Government.

When exercising its functions the Board must have regard to the following:

- ◆ the efficient use of water resources;
- ◆ integrated catchment management and planning of land use and the use of water resources;
- ◆ public interest and community needs;
- ◆ conservation of natural resources;
- ◆ pollution control and prevention; and
- ◆ the efficient use of human, material and financial resources.

Services Provided

The Board provides the major services of water supply and wastewater collection, treatment and disposal. Associated services include the receipt of payments for services and usage charges, the processing of pensioner rebate applications, provision of information on property sales, approval of building plans and plumbing and drainage plans. The Board also responds to a wide range of public enquiries in relation to its area of operations.

Area of Operations

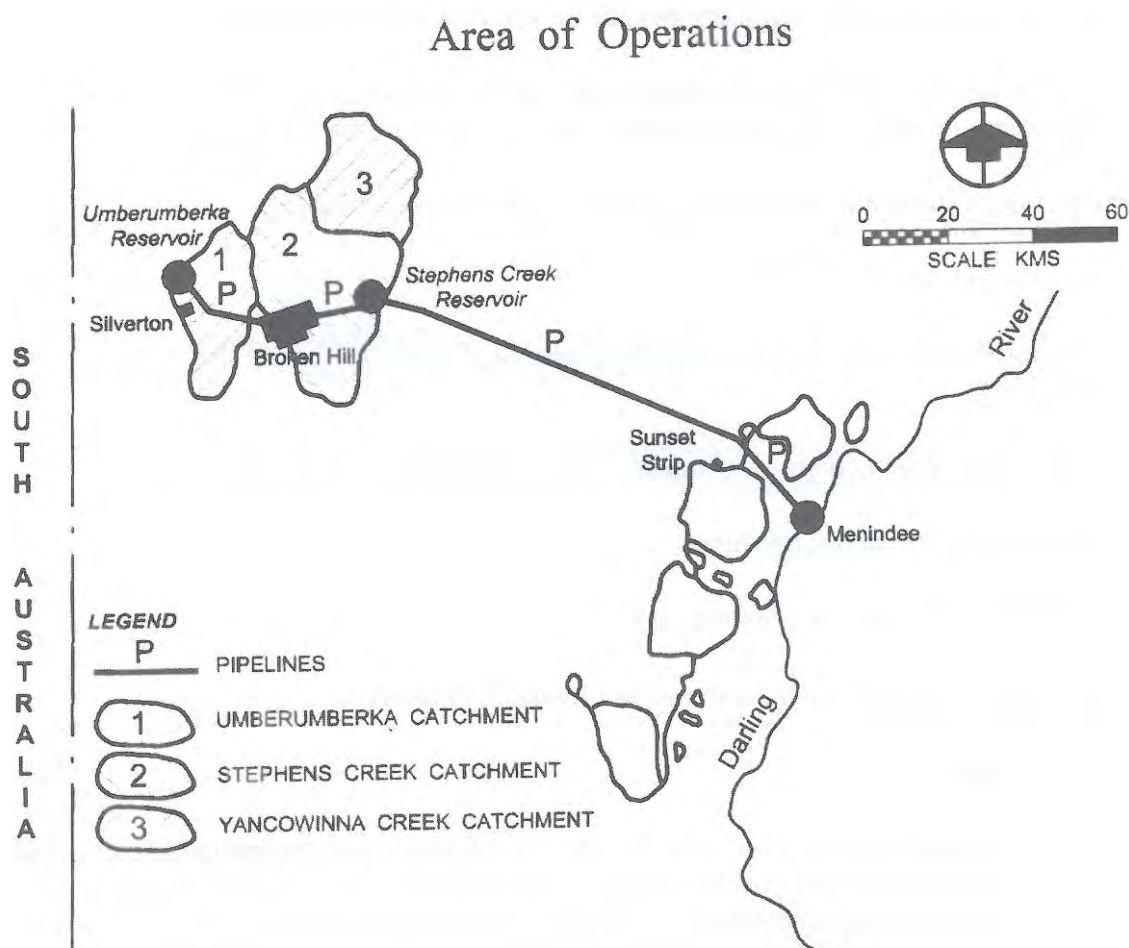
The area of operations of the Board is centred on the City of Broken Hill and includes the Umberumberka Reservoir and Catchment Area to the north west, the Stephens Creek Reservoir and Catchment Area and Yancowinna Catchment Area to the north east; to the south east, the town of Menindee, the settlement of Sunset Strip on the shore of Lake Menindee, and the Menindee to Stephens Creek Pipeline.

Approximately 10,000 properties and a population of about 24,000 are served by the Board's water reticulation system. Domestic consumers in Broken Hill are provided with a filtered, chlorinated and fluoridated supply.

The Board provides a filtered and chlorinated water supply for the township of Menindee. The Board also provides a limited, unfiltered but chlorinated water supply to the township of

Silverton in the unincorporated area near Broken Hill, and to the settlement of Sunset Strip on the shores of Lake Menindee.

In Broken Hill, sewerage services are available to 9,830 premises, which represents 99 per cent of those properties connected to the water supply system.



OVERVIEW

Major Statistics

The Board has two water catchment reservoirs with a total capacity of 27,000 megalitres. Water is supplied to Broken Hill through 150 kilometres of trunk mains and seven major pumping stations. Customers are supplied through two water treatment plants (one at Broken Hill and one at Menindee), 216 kilometres of water reticulation mains and 11 service reservoirs.

Broken Hill is provided with a sewerage service with two Treatment Plants, 11 Sewer Pumping Stations, and 207 kilometres of mains.

Corporate Mission

Our Mission is:

To provide safe, adequate and reliable water, sewerage and related services in an efficient, cost-effective and environmentally responsible manner, to meet community needs and expectations.

Corporate Vision

Our Vision is:

To be an efficient provider of excellent services to the community of the Broken Hill region, continually improving performance and service to all Broken Hill Water Board customers.

Corporate Objectives

Our Objectives are to:

- Operate as a sound commercial entity supported by clear commercial objectives by maximising the use of our resources.
- Be a business with appropriately devolved responsibility, authority and accountability.
- Be recognised as the best Water and Sewerage Service Provider in Far Western New South Wales and among the best in the State.
- Be focused on results.
- Develop a highly skilled and responsive workforce able to meet the challenges facing the organisation.
- Understand and meet community expectations.
- Recognise and take advantage of all opportunities.

Corporate Values

Our Values are:

Fairness and Equity

The Broken Hill Water Board will maintain clear, ethical standards and be fair and just in decisions affecting both customers and employees of the Broken Hill Water Board.

Customer Focus

The Broken Hill Water Board values its internal and external customers. We are committed to giving them excellent service by understanding their requirements, involving them in decisions about our products and services, and providing products and services that meet or exceed their requirements and expectations.

Professional and Efficient Service Provider

The Broken Hill Water Board will ensure it is a professional and efficient provider of services and products to its customers, while satisfying all statutory and regulatory requirements. We are committed to forward planning, involving customers and employees, managing our assets and resources in an efficient and sustainable manner to minimise long term costs, and to constantly monitoring our performance to maintain the highest standards of professionalism and efficiency.

Best Practice

The Broken Hill Water Board values, and is committed to achieving, best practice. We are committed to measuring our success and to maintaining an awareness of what other best practice organisations are achieving, in order to maintain a process of continuous improvement.

Value Employees

The Broken Hill Water Board values its employees, recognising that it is only through a workforce that knows it is valued that we will be able to achieve our Mission and Vision. We will provide opportunities for our employees to develop to their full potential in a manner consistent with our Mission, Vision and Values.

Community Relations

The Broken Hill Water Board values the community of which it is a part. We will support the community to the extent that is consistent with our Mission and Vision and promote a positive relationship with the community.

Environmentally Responsible

The Broken Hill Water Board values the environment and we will conduct our activities in an environmentally responsible manner, recognising that a healthy environment is not only desirable for our customers but is necessary to maintain the quality of our products.

Water and Sewerage Management

Provide safe, adequate and reliable water and sewerage services.

Financial Management

Ensure cost effective, high quality services which meet customers' needs, and ensure an equitable sharing of cost.

Environmental Management

Promote and preserve the environment and heritage of the community within the Board's field of operations.

Organisational Management

Provide management systems and practices and an appropriately sized and skilled workforce in order to achieve effective operations.

OFFICES OF THE BOARD AND PRINCIPAL CONTACT LOCATIONS

Head Office

231 Blende Street, BROKEN HILL NSW 2880
PO BOX 442, BROKEN HILL NSW 2880
Office Hours: 9.00am - 5.00 pm (Cashier: 9.00 am - 4.30 pm)
Telephone: (08) 8082 5800
Facsimile: (08) 8082 5822

Engineering Offices and Workshops

Block 10, Blende Street, BROKEN HILL NSW 2880
Hours: 8.00am - 5.00 pm
Telephone: (08) 8082 5841
Facsimile: (08) 8082 5840

Mica Street Water Treatment Plant

Mica Street, BROKEN HILL NSW 2880
Operational 24 hours per day
Telephone: (08) 8082 5871

Menindee Pumping Station

Hours: 8.00 am - 4.00 pm
Telephone: (08) 8091 4201
Facsimile: (08) 8091 4515

Stephens Creek Pumping Station

Hours: 8.00 am - 4.00 pm
Telephone: (08) 8088 2962

PERFORMANCE INDICATORS

| | <i>Actual 1/1/99 to 30/6/99</i> | <i>Target 1999-00</i> | <i>Actual 1999-00</i> | <i>Target 2000-01</i> |
|---|---|----------------------------------|---------------------------|----------------------------------|
| <i>Water and Sewerage Management</i> | | | | |
| * Percentage of drinking water samples complying with NHMRC/ARMCANZ 1994 Draft Microbiological Australian Drinking Water Guidelines | 99% | E.Coli 98% Coliform 95% | 100% | E.Coli 98% Coliform 95% |
| * Complaints per 1000 properties | | | | |
| - Water Supply | 4.5 | 5.0 | 6.4 | 5.0 |
| - Water Quality | 2.6 | 3.0 | 4.1 | 3. |
| - Sewerage Service | 67.7 | <50 | 46.8 | <50 |
| * Number of water main bursts/leaks per 100 km of mains | 8.2 | 17 | 56 | 35 |
| * Number of sewer main chokages per 100 km of mains | 123 | 125 | 73 | 100 |
| * Number of days water restrictions imposed | 0 | 0 | 0 | 0 |
| <i>Organisational Management</i> | | | | |
| * Administrative cost as a percentage of total operating cost | 19.8% | 16.0% | 19.7% | 16.0% |
| * Workers' compensation insurance cost as a percentage of total salaries and wages | 6.24% | 5.0% | 4.6% | 5.0% |
| * Number of employees per 1000 properties | 8.0 | 8.3 | 7.8 | 8.0% |
| * Resignations per 100 employees | 1.1 | 4.0 | 10.0 | 5.0 |
| * Lost time injury frequency rate | 55.76 | <30 | 53.34 | <30 |

| | <i>Actual 1/1/99 to 30/6/99</i> | <i>Target 1999-00</i> | <i>Actual 1999-00</i> | <i>Target 2000-01</i> |
|--|---|---------------------------|---------------------------|---------------------------|
| Financial Management | | | | |
| * Debt servicing charges as a percentage of total revenue expenditure | 2.7% | 3.0% | 4.4% | 2.7% |
| * Average annual return on short term investments | 5.25% | 5% | 9.5% | 9.5% |
| * Average stock turnover time (weeks) <i>Note: Certain Stock Items previously charged direct to operating costs, are now included as part of the value of Stores Inventory as at 31 December, 1995.</i> | 44 | 30 | N/A | |
| * Value of stores inventory \$'000 <i>Note: With these items being transferred into stock, the Value of stores inventory, has increased. The accounts now reflect the actual expense as the stock is used and not as it is purchased.</i> | 645 | 600 | 725 | 645 |
| * Percentage of water fund revenue raised from sources other than Mining Companies and Treasury. (This will vary with operational costs.) | 47.3% | 50% | 57% | 45% |
| * Percentage of water consumed by town consumers | 78.4% | Note 1 | 86.2% | Note 1 |

Notes: 1. Not appropriate to set target. While long term objective is to minimise this figure, it is expected to increase in short term as more equitable income distribution is introduced.

THE BOARD AND ITS STAFF

The Structure of the Board

Under the provisions of the Water Supply Authorities Act 1987, the Board shall consist of six Members appointed by the Governor, comprising a President, who is the full time Chief Executive of the organisation, and five part time members. One Member (Vice -President) is nominated by the Minister, two are nominated by the Broken Hill Mining Companies and two are nominated by the Broken Hill City Council. All members are generally appointed for terms of five years (or such shorter terms as may be specified by the Government in the instrument of appointment).

Membership of the Board as at 30 June 1999 comprised:

Government Appointees -

- ◆ **President: Vacant**
- ◆ **Vice-President: Mr WKC Ho, B.E., F.I.E. Aust., C.P. Eng.** Mr Ho was appointed to the Board for five years with effect from 4 April 1997. He is employed as Manager Water Supply with the Department of Land and Water Conservation in Sydney. Mr Ho has over 26 years of experience in water supply management within the Department of Public Works and Services, and the Department of Land and Water Conservation.

Mining Companies' Nominees-

- ◆ **Member: Mr MA Hine, Bachelor of Engineering (Mining).** Mark Hine was appointed to the Board on 27 February 1998 for a five year term and at that time was the General Manager of Pasminco Broken Hill Mine, having commenced in the Broken Hill on 21 July 1997.
- ◆ **Member: Mr TJ Hynes, B.Sc (Eng), B.Comm., M.I.E.Aust., C.P.Eng.** Mr Hynes is employed by Pasminco Mining, Broken Hill, as Manager Administration. He has been employed with Pasminco Mining for nine years. Mr Hynes has been a Member of the Board since 31 December, 1991 and was re-appointed for a further five years with effect from 4 April 1997. Mr Hynes resigned his appointment in June 2000.

Council Nominees -

- ◆ **Member: Mr TS Dineen, J.P.** Community Member since 1984. Councillor, Council of the City of Broken Hill 1976 - 1983. Deputy Mayor, Chairman Electricity Committee (BHE) 1980 - 1983. He is Chairman Broken Hill Regional Art Gallery, a member of the Broken Hill Traffic Committee, Lower Darling Catchment Management Committee and the Murray – Darling Water Management Action Plan.

- ◆ **Member: Mr GC Reville,** Mr Reville is an active citizen within the community of Broken Hill. He has held various positions on Committees including the Legion Club, MMM Sickness Fund and the Barrier District Australian Labor Party. Mr Reville has been a Member of the Board since January, 1994.

Board's Meetings

The Board has regular monthly meetings to conduct its normal business, with special meetings held when necessary. During 1999-00, the Board met on 12 occasions - 12 ordinary. The President of the Board normally chairs Board meetings.

Attendances of Members at meetings were:

| | | | |
|---------------------------|----|-----------------------|----|
| Mr WKC Ho, Vice-President | 12 | Mr GC Reville, Member | 11 |
| Mr TS Dineen, Member | 11 | Mr MA Hine | 9 |
| Mr TJ Hynes, Member | 11 | | |



Pictured above from left to right (sitting) Mr TS. Dineen, Mr W Ho, Mr GC Reville, (standing) Mr TJ Hynes, Mr MA Hine

The Broken Hill Water Board's Senior Managers

Profiles

- ◆ **General Manager:** Mr MS Dobbin, Manager Operations, has been acting in this position subject to the Minister appointing a permanent appointee.
- ◆ **Manager Operations:** Mr MS Dobbin, B.E. (Electrical/Electronic).
Mr. Michael Dobbin joined the Board in June 1994. Prior to that he held the position of Engineering Services Engineer with the Snowy Mountains Hydro Electricity Authority. His earlier experience was in electrical engineering and water supply with the Engineering and Water Supply Department of South Australia.
- ◆ **Manager Business Services:** Mr H Mizow, Dip Bus. M.A.I.M. M.A.H.R.I.
Mr Henry Mizow joined the Board in December 1999 as its Manager Business Services. Prior to this Mr Mizow held the position of Business Manager, Northern Territory Water Authority and various senior management positions in private and public enterprise.
- ◆ **Manager Planning and Development:** Mr DT Polden, B.E. (Civil), M.I.E. Aust, C.P. Eng., Grad. Dip. Appl.Sc. (Computing).
Mr Tim Polden is the Board's Manager Planning and Development. Mr. Polden joined the Board in 1988 as Operations Engineer, and was appointed to his current position in June 1994. Prior to joining the Board's staff he held the position of Design Engineer with the Water Authority of Western Australia.
- ◆ **Manager Financial Services:** Mr CJ Cowdrey, B.A. Accounting.
Mr Colin Cowdrey joined the Board on 17 March 1997. Before then he held the position of Accountant with Open Learning Technology Corporation Limited. He has a wide range of experience in commercial environments.



From left to right - Mr H Mizow, Mr. C. Cowdrey, Mr. T. Polden, Mr. M. Dobbin (front)

Chief and Senior Executive Officers

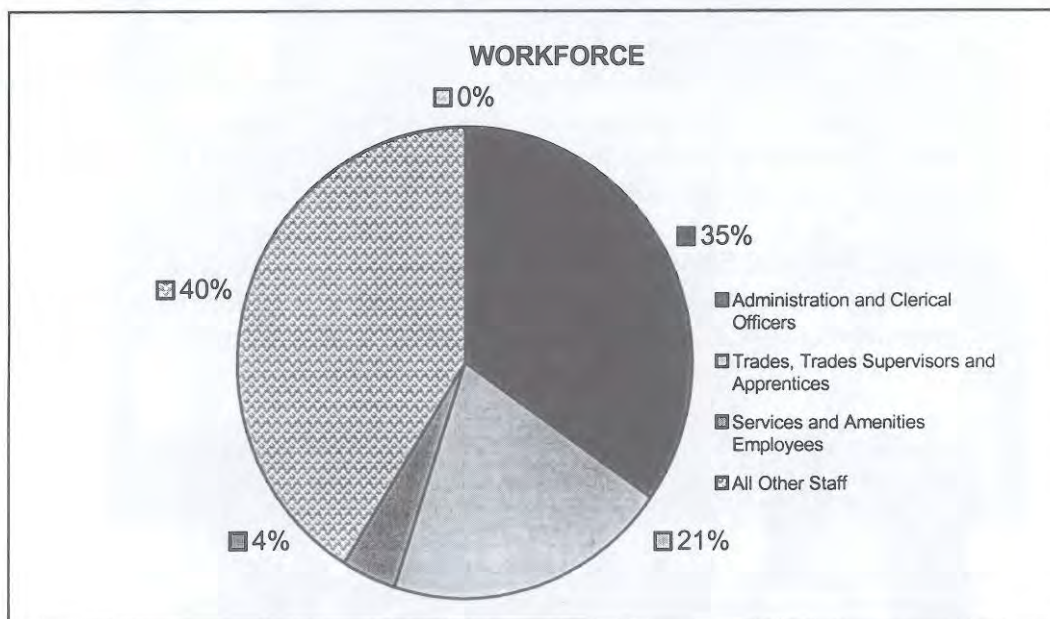
The Board had only one Level 2 CES/SES position (the General Manager) as at 30 June 2000, which was the same as for the previous year.

Employment

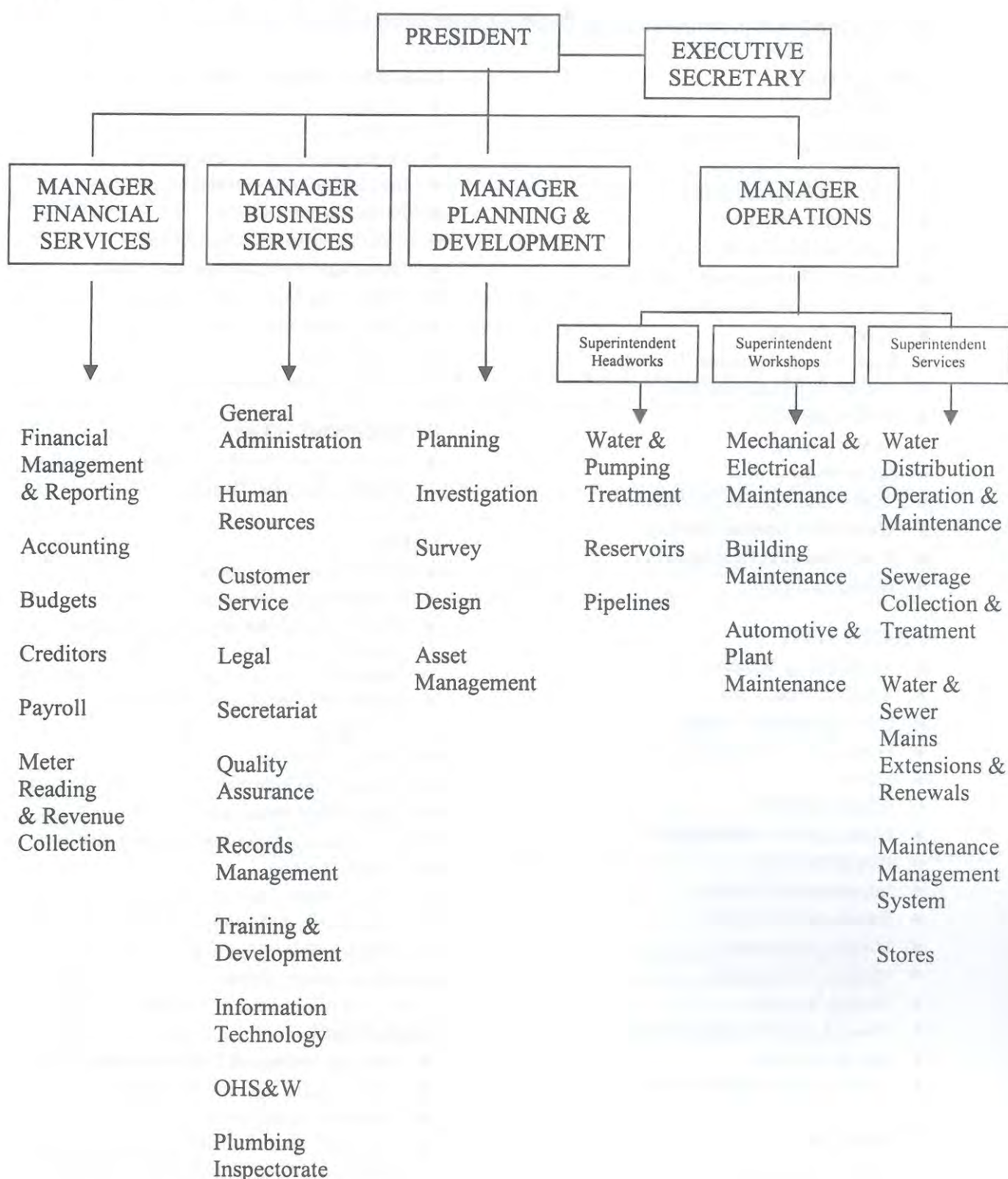
The staff numbers are now at about the level necessary to provide effective service delivery in the Board's current programmes, although further re-structuring will be necessary.

The total number of full time equivalent establishment positions at 30 June 2000 was as follows:-

| | |
|---|----------|
| | 1999-00 |
| Administration and Clerical Officers | 27 |
| Trades, Trades Supervisors & Apprentices | 10 |
| Service and Amenities Employees Wages Employees | 48 |
| All Other Employees | 0 |
| | <hr/> 78 |



ORGANISATION CHART



Training

BHWB Employees participated in the following training courses in 1999/2000:

OPERATIONS

- ◆ 4WD Training
- ◆ Chemical Dosing Systems
- ◆ Chlorine Drum Capping
- ◆ Chlorine Emergency Drill
- ◆ Dam Safety Course
- ◆ Farm Chemical Use & Storage
- ◆ Fitting of Chlorine Drum Connections
- ◆ Fluoride On-Site Assessment
- ◆ Fluoride Operator
- ◆ Heavy Vehicle Inspection Training
- ◆ Mobile Chlorinator Operation
- ◆ New Wiring Rules
- ◆ RCM2 Training
- ◆ Sewer Maths
- ◆ Waste Water Operator Assessment
- ◆ Waste Water Operator Training
- ◆ Water Treatment Plant Operator
- ◆ Workshops Maths

COMPUTING

- ◆ Administering Windows NT
- ◆ AutoCAD Parts 3 & 4
- ◆ Basic Crystal/SQL Training
- ◆ Formida Basics for Infomaster
- ◆ Fujitsu
- ◆ Fujitsu 2000 Plus
- ◆ Fujitsu System Administration
- ◆ Hyqual Database
- ◆ Infomaster GIS Training
- ◆ Introduction to Fujitsu
- ◆ Mainpac Job Request
- ◆ PL/SQL Fundamentals
- ◆ Recfind Workflow
- ◆ SmartTRACK HR System Training
- ◆ SQL & SQL Plus
- ◆ TAFE Computer Keyboarding

FINANCIAL

- ◆ Credit Management
- ◆ GST Purchasing Training

BUSINESS SERVICES

- ◆ Certificate IV Workplace Assessment and Training
- ◆ Deakin Certificate of Management
- ◆ Introduction to Freedom of Information
- ◆ Job Evaluation Training
- ◆ Local Government State Records
- ◆ Managing A Records Disposal Program
- ◆ Performance Management Training
- ◆ Quality Assurance Overview Training
- ◆ Time Management
- ◆ Workplace English Language & Literacy

ENVIRONMENTAL

- ◆ Environmental Management System Workshops
- ◆ Lead Accreditation Training

OH&S

- ◆ 5099 Exemption Training
- ◆ Confined Space Refresher
- ◆ CRS Functional Assessment for Breathing Apparatus (Pre-requisite for Confined Space Training)
- ◆ Dangerous Goods Licence Renewal
- ◆ Fire Fighting
- ◆ First Aid Training
- ◆ General OHS Induction
- ◆ High Voltage Isolation
- ◆ Introduction to Rehabilitation Co-ordination
- ◆ Manual Handling
- ◆ Office Safety
- ◆ OH&S Legal Obligations
- ◆ OH&S Refresher Training
- ◆ OH&S Safety On Site

SEMINARS

- ◆ Metering, Billing and Data Management
- ◆ 2000 Financial Accounts Workshop
- ◆ Infomaster Users Forum
- ◆ New South Wales Utilities & Electrotechnology Industry Training Advisory Board Conference
- ◆ Pipes 99
- ◆ Waste Water Operators Update Seminar
- ◆ WaterTech Conference

Code of Conduct

The Board's Code of Conduct has been reviewed to ensure compliance with the standard principles and specific requirements outlined in the Government's Model of Code of Conduct for NSW public agencies.

Occupational Health and Safety

The Board has continued its emphasis on improved safety. A new safety incentive scheme was introduced, which rewards work groups for:

- ◆ improving the safety of their work environment,
- ◆ the implementation of safety measures,
- ◆ responding quickly to safety inspection reports, and
- ◆ suggestions for improved safety procedures.

The Board continues to provide a range of safety oriented courses and seminars for its staff, including training in, inter alia, Back Care, Confined Spaces, First Aid, Fire Fighting, Chainsaw Operation and Acid Dosing Plant Safety.

The Board has continued its close relationship with the Commonwealth Rehabilitation Service, who are the Board's rehabilitation providers.

The Board has continued its Wellness Program, which subsidises the membership of staff at a local gymnasium by initially paying membership fees, then recovering 50 per cent of the fee by payroll deduction over the course of the year.

Broken Hill Water Board Safety Statistics

| | 1998 | 1999 (1/2) | 1999-00 |
|---------------------------------|-------|------------|---------|
| Lost Time Injury | 11 | 4 | 6 |
| Lost Time Injury Frequency Rate | 79.11 | 56.57 | 53.34 |
| Worker's Compensation Claims | 26 | 8 | 16 |

Equal Employment Opportunity

The goal of the Board's Equal Employment Opportunity Policy is to ensure that access to employment is based solely on merit. This policy, and fostering of EEO practices in general, will continue to be implemented throughout the Board. Awareness of EEO principles and practices also continues to be promoted through their integration into the Board's training programme and work practices.

Recruitment: EEO Target Groups

No Aboriginal or Torres Strait Islanders/People from a non-English speaking background/People with a disability were recruited during the 1999-00 financial year.

Representation of EEO Target Groups within Levels

| | Total Employees | Women | ATSI ⁽¹⁾ | NESB ⁽²⁾ | People with a Disability ⁽³⁾ |
|---------------------|-----------------|-------|---------------------|---------------------|---|
| <\$26,276 | 0 | 0 | 0 | 0 | 0 |
| \$26,276 – \$34,512 | 33 | 31 | 0 | 0 | 1 |
| \$34,513 – \$38,582 | 21 | 15 | 0 | 0 | 0 |
| \$38,583 – \$48,823 | 13 | 11 | 0 | 0 | 0 |
| \$48,824 – \$63,137 | 9 | 8 | 0 | 0 | 0 |
| \$63,138 – \$78,921 | 3 | 3 | 0 | 0 | 0 |
| >\$78,921 Non-SES | 1 | 1 | 0 | 0 | 0 |
| >\$78,921 SES | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 80 | 69 | 0 | 0 | 1 |

(1) Aboriginal or Torres Strait Islanders

(2) Non-English Speaking Backgrounds

(3) People With Physical Disability (PWPDP) status collected on a voluntary basis 1997 survey.

Salaried staff are employed under the Water & Sewerage Salaried Officers (BHWB) Award and Wages staff are employed under the BHWB (Wages Division) Agreement.

Action Plan for Women

Under the NSW Government's "Action Plan for Women" programme, a requirement exists to report on activities and initiatives which foster and support women in the workplace.

The Broken Hill Water Board recognises the need to offer women every opportunity and has undertaken the following initiatives:

- ◆ Appointed the first female executive in the Board's history,
- ◆ Encouraged female staff to attend a wide variety of industry seminars and conferences.
- ◆ Provided wide exposure and involvement with change management through the appointment of female Quality Assurance and Staff Training and Development Officers
- ◆ Ensured broadening of skill and experience base by the inclusion of female employees on all recruitment selection panels.
- ◆ Providing specific training in a range of Board functions to enhance skills, promote confidence and develop career path opportunities.
- ◆ Developed and implemented comprehensive Staff Development Programmes incorporating specific strategies for the development and career aspirations of all employees.

Performance Management Systems

The Board has introduced a computerised Performance Management System (PMS) which, in conjunction with our already established Quality Assurance Programme, provided the necessary management tools to gauge the effectiveness in terms of achieving its:-

- ◆ Business Performance Goals
- ◆ Corporate Objectives and
- ◆ Individual Performance Goals

The System is capable of defining Key Result Areas (KRA's) and developing Key Performance Indicators (KPI's) for processes and outcomes of work groups and individuals.

The PMS system incorporates:-

- ◆ Role Clarity Statements;
- ◆ Service Level Agreements; and
- ◆ Individual Performance Goals.

All senior managers of the Broken Hill Water Board have prepared Service Level Agreements and KPI's within their functional Key Results Areas.

Individual, group and Board goals and objectives will be regularly reviewed to ensure practical achievement.

The PMS conforms to NSW Government Guidelines on Performance indicators generally and Service Level Agreements in particular.

Public Relations

In 1999-00 the Board continued its use of the local media to raise the Board's profile and the public's awareness of water related issues. The Board, in conjunction with the local television station, developed a series of television commercials to raise the general level of understanding of what is involved in providing a safe, reliable water supply to Broken Hill. The commercials have had an excellent response, and a positive impact on the Board's public image.

CORPORATE SERVICES

Customer Service

The Board maintains its commitment to Customer Service .

Guarantee of Service

The Board has revised its Guarantee of Service to include reference to a complaints procedure.

Quality of Customer Service

The Board understands that Quality Customer Service is defined by the standards and expectations of our customers. The Board's intention is to know and service our customers, internal and external, and to continuously improve.

The Board's Quality of Service Vision:

"To anticipate, and meet or exceed the needs and requirements of our customers."

Quality of Service Objectives:

- ◆ To define quality of service from the customers' point of view.
- ◆ To manage work processes that add value for our customers.
- ◆ To continuously improve our Quality of Service.
- ◆ To deliver Quality Service on time, every time.

In accordance with this vision and our quality of service objectives, the Board has continued its quality assurance and related training programmes involving all levels of Board staff.

The Board's Standards of Service Policy

For Broken Hill and Menindee, the Board considers that levels of service are determined by:

- ◆ availability of supply
- ◆ quality of supply
- ◆ response times to system failures and customer complaints

Using these criteria, the Board has set the following standards for our Water and Sewerage System.

Water Supply

Availability of Supply

- ◆ Under normal conditions the Board will provide an unrestricted supply. Restrictions may become necessary during drought periods or in the event of some extraneous event. On average, restrictions would not be imposed more often than once every five years or be applied for longer than 5% of the time.
- ◆ Under normal conditions the Board will provide pressure between 12 and 90 metres head of water in the reticulation system.
- ◆ For repair, installation or other maintenance work, it will be necessary on occasions to temporarily interrupt supply. In these instances, our domestic consumers will receive 24 hours notice and industrial consumers will receive seven days written notice.
- ◆ Unplanned interruptions to supply to individual customers are not expected to occur more than twice a year or last longer than six hours.

Quality of Supply

The Board aims to meet the draft guidelines for the quality of potable water delivery to our customers set out in the 1994 draft Australian Drinking Water Guidelines issued by the National Health and Medical Research Council and the Agricultural and Resource Management Council of Australia and New Zealand.

Response to Systems Failures or Customer Complaints

- ◆ The Board offers a 24 hour emergency service.
- ◆ Response times to water supply problems will for 60 per cent of calls, be less than two hours and 90 per cent will be within four hours of receiving the calls.
- ◆ The Board will respond to customer complaints about various aspects of the water supply within one working day unless the matter is of such a minor nature that it can be dealt with at a time convenient to both the customer and the Board.
- ◆ For customer connections to the reticulation systems the Board's services are provided up to the meter. Our customers are responsible for all plumbing and fixtures located on their side of the meter. Special arrangements may apply in certain cases, such as connections off rising and gravitation mains.

Sewerage

Availability of Supply

- ◆ The Board will provide connection to the sewage system, where practicable, to all allotments within the defined service area. Where a high level of construction is required to provide the connection, special arrangements, incorporating the payment of a capital contribution, may be necessary.
- ◆ Acceptance of commercial and industrial wastes will be in accordance with specific arrangements between the Board and the individual discharger.

System Failures

- ◆ The same 24 hour emergency service that applies to the water service problems applies to wastewater.
- ◆ Response times to problems relating to failure of the wastewater systems resulting in spillage will, for 60 per cent of calls, be less than two hours and 90 per cent within four hours of receiving the call.
- ◆ Customer complaints about various aspects of the wastewater system will be responded to on the next working day unless the matter is of a minor nature and can be dealt with at a time convenient to both the customer and the Board.
- ◆ Our customers are responsible for all plumbing and fixtures on their property to the point of connection to the sewage main.

Freedom of Information

There were no requests for information under the FOI Act during 1999-00.

The six monthly Summary of Affairs was submitted for publication in the Government Gazette.

Statement of Affairs

Introduction

Under the terms of Section 14 of the Freedom of Information Act 1989 the Board is required to publish annually a 'Statement of Affairs' which describes its functions and lists categories of documents held which are eligible for public scrutiny under legislation and indicates how they can be obtained. This section constitutes the Board's 'Statement of Affairs' for 1999-00.

Information about the Board, its legislation, objectives, structure, functions and major statistics are contained elsewhere in the Annual Report.

Arrangements for Public Participation

The Broken Hill Water Board has arranged a formal mechanism for public participation by establishing a Customer Council. The Council is comprised of various sections of the community served by the Board to act as a link between the community (the Board's customers) and the Board.

Currently, the Customer Council comprises:

- **Chair, nominated by the Board:**
Manager Business Services **H Mizow**
- **1 Representative of Pipeline Consumers:** **K. Andrews**
- **3 Representatives of Residential Consumers:**
Barrier Industrial Council **E. Butcher**
Broken Hill Community Tenancy Scheme Ltd.: **C. Groves**
Broken Hill Pensioners **Vacant**
- **1 Representative of Commercial Consumers:**
Broken Hill Chamber of Commerce: **R. Thomas**
- **1 Nominee of the Broken Hill City Council:** **J. Simons**
- **1 Nominee of Non - Rateable Property Owners:** **J. Crowley**
- **1 Nominee of Central Darling Shire Council:** **J. Brennan**

Other individuals or groups however, may make representation to the Minister, the local member or to the Board itself on any issue handled by the Board. The two members of the Board nominated by the Broken Hill City Council serve as the citizen's representatives.

Documents Held

A large number of documents are held by the Board with the majority dealing with the provision of our main services of water and wastewater management. In addition a number of other documents are held which deal with administrative matters.

The majority of the Board's documentation is stored in files which fall into the following categories:-

| | |
|------------------------|------------------|
| Administration | Catchment Areas |
| Operational | Pumping Stations |
| Government Departments | Water Supply |
| Financial | Sewerage |
| Human Resources | Design |
| Plant | Contracts |

An extensive range of maps, plans and diagrams is maintained by the Board for both internal purposes and to provide assistance to customers in their dealings with the Board. The Board maintains confidential Staff Files for its employees. Employees have the right of access to their own staff file.

Obtaining Information

In most cases legitimate requests for information will be dealt with informally and the required material provided at no charge. The Board does however, reserve the right to recover reasonable costs in providing information.

Should informal access to information requested be refused, it may be appropriate to consider making an application under the Freedom of Information Act.

Arrangements can be made to obtain or to inspect copies of documents at the Board's Administrative Offices, 231 Blende Street, between 9.00 am and 5.00 p.m., by contacting the Freedom of Information Coordinator.

The Freedom of Information Coordinator should also be contacted regarding arrangements for access or amendment to documents concerning an individual's personal affairs. In most cases, where a request to amend documents about an individual's personal affairs is made, a written application in terms of the Freedom of Information Act will be required, accompanied by proof of any amendment requested.

Freedom of Information Procedures

Applications made under the Freedom of Information Act must be in writing and must be accompanied by the appropriate application fee. Such requests should be directed to:

The Freedom of Information Coordinator
Broken Hill Water Board
231 Blende Street
PO Box 442
BROKEN HILL NSW 2880

Telephone: (08) 8082 5815

Ethnic Affairs Priorities Statement

Amendments to the Ethnic Affairs Commission Act were proclaimed in February 1997. It is now a legislative requirement to comply with the following;

- observe the principles of cultural diversity – S(3) Ethnic Affairs Commission Act.
- Include in its annual report, a statement setting out the progress in implementing the Agency's Ethnic Affairs Priorities Statement, as required by (1997) Regulations under the Annual Reports Acts.
- Include in its annual report, a statement describing any agreement entered into with the Ethnic Affairs Commission, and progress with that agreement, as required by (1997) Annual Regulations under the Annual Reports Acts.

The Board has not entered into any agreement with the Ethnic Affairs Commission.

The Board has seen and understands the "principles of cultural diversity and will apply them where appropriate".

Insurance and Risk Management

The annual review of the Board's insurances (other than workers compensation) was conducted by its appointed insurance brokers, Jardine Lloyd Thompson Australian, who successfully tendered for the appointment as the Board's broker for 1999-00. This review was specifically aimed at the identification and management of risks and the organisation of adequate insurance coverage.

The majority of the Board's insurances incorporate some form of self risk with "deductible" amounts applicable to individual claims. The Board took out additional insurance to cover Directors and Officers liability.

Workers compensation insurance was renewed through the Government Insurance Office with an increase in premium from that of 1999. This increase is a result of a significant increase in accumulated claims and an adjustment to previous years.

The Board is not a contributor to the New South Wales Managed Fund.

OPERATIONS

Water Supply

Quantities pumped and associated consumption and storage tables are shown in the following appendices:

- Appendix 6: Storage Capacity
- Appendix 7: Pumping Quantities
- Appendix 8: Distribution Table

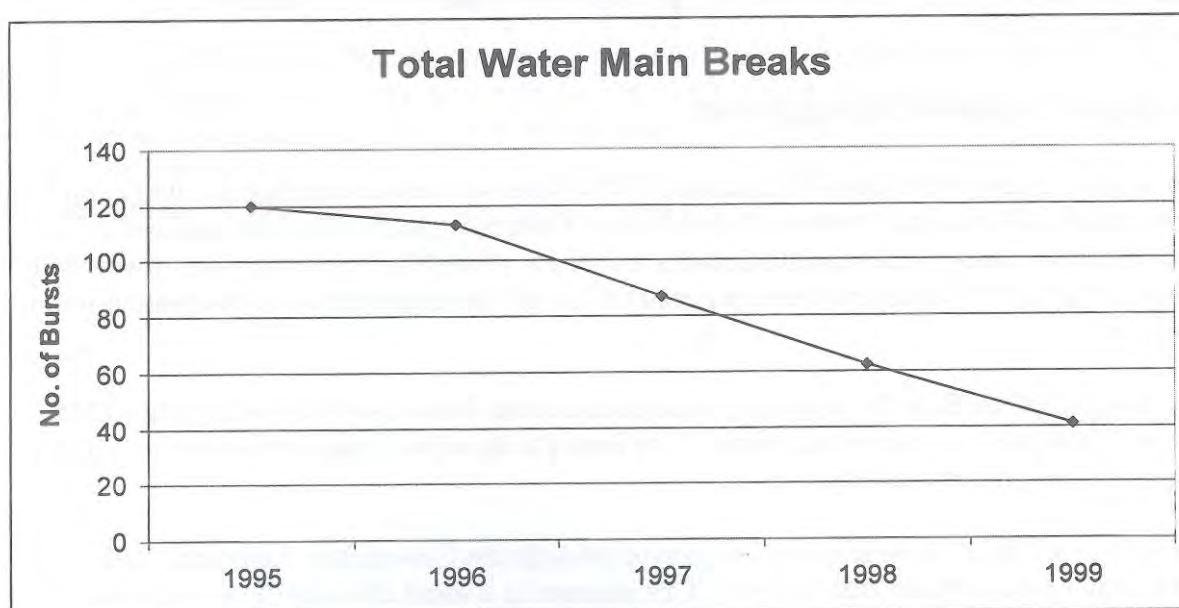
An ongoing programme for the replacement of water mains continued throughout the year. This programme is aimed at replacing mains that have reached end of life resulting in extensive failures. Replacement of two large feeder mains was also completed during this period.

Summary of mains replaced for the period 1 July 1999 to 30 June 2000.

| Size of Main | Metres Replaced |
|--------------|-----------------|
| 500 mm | 631 |
| 450 mm | 1,394 |
| 225 mm | 30 |
| 150 mm | 25 |
| 100 mm | 1,311 |

The effect on total main breaks since 1995 is shown in the graph below. Main breaks have been reduced by 60 per cent in the previous five-year period. The general downward trend is expected to continue as older mains are removed from the system.

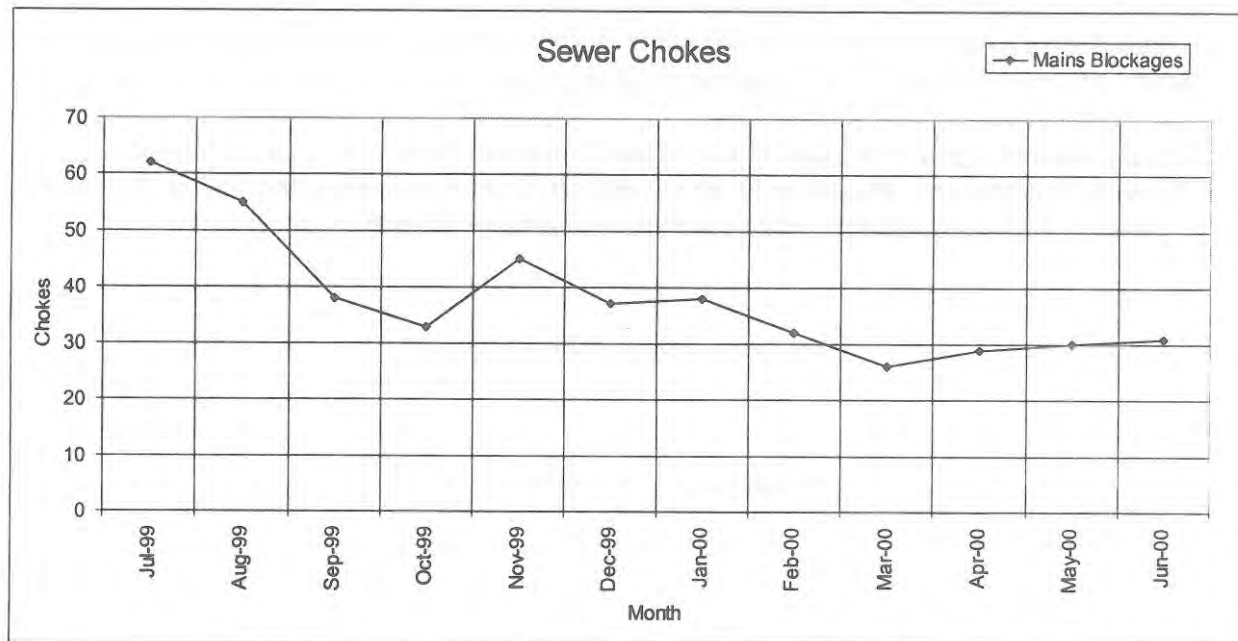
Graph 1: Total Water Main Breaks by Year



Sewer

A truck mounted Jet-Vac Unit (a combined high pressure rodding and vacuum cleaning unit for sewer mains) was placed into full time service in 1999 to conduct a major sewer cleaning programme. The unit effectiveness is shown in the graph of main sewer chokes during 1999-00, the rate of sewer chokes has been reduced by 50 per cent. The rate is expected to decrease further as the programme continues.

Graph 2: Main Sewer Chokes



Summary of Effluent Treated

| Plant | Total Effluent Treated |
|--------------|------------------------|
| Wills Street | 1704 Ml |
| South | 412 Ml |

The Board has complied with Environment Protection Authority Pollution Control Licence conditions for the discharge of effluent from its waste water treatment plants

Capital Works

The following capital works projects were completed:

Water:

- The first stage of a replacement programme for 40Hz equipment at Mica Street Water Treatment Plant was completed. A standby power generation facility was installed as part of this programme.
- All CITECT telemetry controls software was upgraded to meet Year 2000 compliance for all control systems

-
- Installation of automatic control valves in the Broken Hill reticulation system was completed. Manual operation of reticulation system pressures and levels is now no longer required and after hours rostering of employees for this task has been discontinued.
 - An ongoing water mains replacement programme was continued. During this period a number of large feeder and rising mains were replaced. The major upgrade to Umberumberka main was also completed.

Sewer:

- A biological odour control bed was installed at Warren Street Waste Water Pumping Station to replace an existing scrubber unit. This new facility provides an efficient passive odour control process in place of a chemical air scrubbing unit.
- Tertiary treatment ponds at South Waste Water Treatment Plant were commissioned following construction. These ponds were constructed to provide improved effluent quality in response to Environmental Protection Authority discharge licence requirements.

FINANCIAL STATEMENTS

1999-00

Income and Expenditure Statement

Balance Sheet

Statement of Cash Flows

Notes to the Financial Statements

Auditor General's Opinion

Real Property Holdings

START OF THE AUDITED FINANCIAL STATEMENTS

INCOME AND EXPENDITURE STATEMENT

1999-00

| | NOTE | 1/1/99 to 30/6/99 | 1999-00 |
|--|------|-------------------------|---------------|
| | | \$'000 | \$'000 |
| INCOME | | | |
| Rates & Charges (Net) | 2 | 4,211 | 6,643 |
| Mining Companies Water | | 89 | 191 |
| Investment Income | | 132 | 69 |
| Other Income | | 68 | 283 |
| Proceeds on Disposal of Assets | | 134 | 420 |
| Decrease in Provision for Doubtful Debts | | | 78 |
| | | 4,634 | 7,684 |
| EXPENDITURE | | | |
| Operations & Maintenance | | 3,706 | 7,117 |
| Administration & Management | | 1,347 | 2,686 |
| Interest on Loans | | 324 | 371 |
| Depreciation | 1(f) | 1,349 | 2,901 |
| Written Down Value of Asset Disposals | | 312 | 321 |
| Provision for Employee Entitlements | | 81 | 180 |
| Bad Debts | | 7 | 28 |
| Provision for Doubtful Debts | | 270 | |
| | | 7,396 | 13,604 |
| OPERATING SURPLUS (DEFICIENCY) | | | |
| PRIOR TO DEFICIENCY SUBSIDIES | | (2,762) | (5,920) |
| Less Deficiency Subsidies | 1(g) | 2,465 | 5,758 |
| OPERATING SURPLUS/(DEFICIT) | | (297) | (162) |
| Accumulated Funds – Opening Balance | | 14,429 | 14,635 |
| TOTAL AVAILABLE FOR APPROPRIATION | | 14,132 | 14,473 |
| Transfer from: | | | |
| Revaluation Reserve | | 182 | |
| Provision for Major Periodic Maintenance | | 321 | |
| ACCUMULATED FUNDS – CLOSING BALANCE | | 14,635 | 14,473 |

Notes to and forming part of the financial statements

BALANCE SHEET 1999-00

| | NOTE | 1/1/99 to 30/6/99 | 1999-00 |
|---|-------|-------------------------|---------------|
| CURRENT ASSETS | | \$'000 | \$'000 |
| Cash on Hand and at Bank | | 609 | 115 |
| Accounts Receivable, Prepayments and Accrued Interest | 13 | 2,341 | 2,676 |
| Investments | 4 | 114 | 412 |
| Stores and Materials | 1(l) | 725 | 645 |
| TOTAL CURRENT ASSETS | | 3,789 | 3,848 |
| NON -CURRENT ASSETS | | | |
| Property, Plant and Equipment | 5 | 78,622 | 80,842 |
| Accounts Receivable, Prepayments and Accrued | 13 | 988 | 924 |
| Investments | 4 | 261 | - |
| TOTAL NON-CURRENT ASSETS | | 79,871 | 81,766 |
| TOTAL ASSETS | | 83,660 | 85,614 |
| CURRENT LIABILITIES | | | |
| Bank Overdraft | 16(a) | - | 1,500 |
| Accounts Payable and Accruals | 12 | 2,340 | 1003 |
| Loans | 6 | 315 | 90 |
| Provisions for Employee Entitlements | 3 | 515 | 482 |
| TOTAL CURRENT LIABILITIES | | 3,170 | 3,075 |
| NON-CURRENT LIABILITIES | | | |
| Loans | 6 | 3,725 | 3,635 |
| Provision for Employee Entitlements | 3 | 1,328 | 1,324 |
| TOTAL NON-CURRENT LIABILITIES | | 5,053 | 4,959 |
| TOTAL LIABILITIES | | 8,223 | 8,034 |
| NET ASSETS | | 75,437 | 77,580 |
| CAPITAL AND RETAINED EARNINGS | | | |
| Asset Revaluation Reserve | 7 | 60,802 | 63,107 |
| Accumulated Funds | | 14,635 | 14,473 |
| TOTAL EQUITY | | 75,437 | 77,580 |

Notes to and forming part of the financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2000**

| | NOTE | 1/1/99 to 30/6/99 | 1999-00 |
|---|-------|-------------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | \$'000 | \$'000 |
| Receipts from Customers | | 3,291 | 7,583 |
| Deficit Subsidy Receipts from Mining Companies | | 2,990 | 2,907 |
| Payments to Suppliers and Employees | | (4,867) | (10,586) |
| Capital Contributions – Developers | 1(e) | - | - |
| Interest Received | | 335 | 75 |
| Interest Paid | | (383) | (459) |
| Cash flows from Government | | | |
| Deficit Subsidy - NSW Treasury | | 604 | 1,150 |
| Pension Rebates – NSW Treasury | | 146 | 315 |
| Net Cash Provided by Operating Activities | 16(b) | 2,116 | 985 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for Plant and Equipment | | (508) | (835) |
| Payments for Construction and Acquisition of Systems Assets | | (1,467) | (2,302) |
| Proceeds from Disposal of Assets | | 134 | 420 |
| Maturing Investments | | 1,234 | |
| Payments for Investments | | (33) | (36) |
| Net Cash Flows Used in Investing Activities | | (640) | (2,753) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of Loans | | (2,855) | (226) |
| Net Cash Flows Used in Financing Activities | | (2,855) | (226) |
| NET INCREASE /(DECREASE) IN CASH HELD | | (1,379) | (1,994) |
| CASH - OPENING BALANCE | 16(a) | 1,988 | 609 |
| CASH - CLOSING BALANCE | 16(a) | 609 | (1,385) |

Notes to and forming part of the financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 1999-00

1. Statement of Accounting Policies

a) Basis of Financial Statements

The financial statements are a general purpose financial report prepared on a full accrual accounting basis and according to the Historical Cost Convention, except for some non current physical assets which are shown at valuation (refer to note 1d and 5). The statements are also in accordance with the Water Supply Authorities Act 1987, Public Finance and Audit Act, 1983 and the Regulations thereto, applicable Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Urgent Issues Group (UIG) consensus views.

Except where otherwise indicated the methods adopted are consistent with those used in 1999.

b) Change of Financial Year End

The Board elected to change its financial year end to the 30 June as from 30 June 1999. The accounts are the first set of accounts prepared for a full year since the change. A transitional set of accounts for the six months 1 January to 30 June 1999 was prepared last year. The 1999 comparative figures are for the 6 months ended 30 June 1999. Any comparisons between the two figures should take this into account.

c) Proposed Merger

On 4 August 2000 the acting Minister for Land and Water signed a direction under section 10(1)(b) of the Water Supply Authorities Act which instructed Broken Hill Water Board (BHWB) to delegate specific functions to Australian Inland Energy (AIE). A delegation deed of agreement has since been signed by both AIE and BHWB. The deed gives AIE the authority to use the assets, direct the employees, and collect the revenue of BHWB. However the BHWB retains ownership of its assets, and the authority to terminate and appoint employees. Revenues collected on behalf of the BHWB by AIE must be remitted to BHWB. Any expenses incurred by AIE in the performance of the BHWB duties are to be reimbursed by BHWB.

d) Property, Plant and Equipment

Non-Current physical infrastructure assets are revalued on a cyclical basis. Water mains and reticulation assets were revalued this year by the Board based on indices supplied by the Department of Public Works. Assets were revalued upwards by \$2,307,302. The surplus on revaluation has been credited directly to the asset revaluation reserve. The historical cost of plant and equipment, which has been fully depreciated, is \$1,093,069. It is the Board's policy to expense all items of expenditure on plant and equipment under \$500.

e) Change in Accounting Policy – Provision for doubtful debts

A provision for doubtful debts is made for all amounts where part of that amount was raised prior to 1 January 1999 and

- no payment arrangement had been made; or,
- an arrangement had been made but no payment have been made since 30 June 1999.

In previous years the Board had a policy of providing for amounts that were more than 12 months overdue. This change in policy is not expected to have a material effect on the financial statements.

f) Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, at rates calculated to allocate the value less the estimated residual value of the assets against revenue over their estimated useful life to the Water Board.

g) Deficiency Funding Arrangement

Under the Water Supply Authorities Act 1987 any deficiency in the Board's water fund (after excluding water charges received from the mining companies) must be borne by the Treasurer as well as the mining companies. The Treasurer contributes thirteen fifty-ninths whilst the mining companies jointly contribute forty-six fifty-ninths. Under the Act if a deficiency also exists in the Board's sewerage fund at year-end the Treasurer pays the amount of the deficiency, or \$6,000 whichever is the lesser amount.

h) Rounding of Amount to Nearest \$'000

The Board has adopted the rounding of amounts to the nearest thousand dollars.

i) Superannuation

There is no deferred liability in respect of Superannuation Scheme Benefits for existing employees. The Board has a deferred liability in respect of one past employee and full provision for such liability has been made. (Refer Note 3).

j) Financial Instruments

The information pertaining to financial instruments including interest rate risk and credit risk is made in accordance with the provisions of AAS 33 "Presentation and Disclosure of Financial Instruments".

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. For the Board financial instruments are cash, accounts receivable and payable, investments and loans.

The carrying amounts of the financial instruments are approximate to their net fair values (the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction) which mean in relation to:

- an asset, the fair value after deducting costs expected to be incurred were the asset to be exchanged;
- a liability, the fair value plus costs expected to be incurred were the liability to be settled.

k) Discounts/Premiums on Loans

On occasions the NSW Treasury Corporation issues loans at a discount or premium due to the differences in market yield and the coupon rate of the debt at the date of the transaction. The discount or premium is deferred and amortised on a straight-line basis over the term of the loan. The deferred discount/premium is adjusted against the face value of the debt with the resultant amount shown in the Balance Sheet (refer Note 6).

l) Stores and Materials

This category of assets has been arrived at by actual count, weight or measurement as the case may be of the items on hand. Stores and materials are all priced at average cost. Inventory has been valued at the lower of cost or net realisable value.

m) Property, Plant and Equipment - Methodology Used in Valuations

In accordance with Treasury Circular G 1991/20 the Board will revalue non-current physical assets on a five-year cyclical basis. Assets representing approximately 20 per cent of total assets will be revalued annually on a rolling basis.

The Board is a "Not for Profit" entity as defined under accounting standard AAS 10 "Accounting for Revaluation of Non-Current Assets". The recoverable amount test required by AAS 10 has therefore not been applied to non-current assets.

Any surplus on revaluation is credited directly to the asset revaluation reserve and is excluded from the income and expenditure statement. Any gain or loss on disposal of revalued assets is determined as the difference between the carrying value of the asset at the time of disposal and the proceeds of disposal, and is included in the Board's result in the year of disposal. Revaluation increments relating to disposed assets are transferred from the asset revaluation reserve to accumulated funds when assets are disposed.

n) Economic Dependency

The Board is dependent on subsidies from the NSW Treasury and the Mining Companies in Broken Hill to fund the operating deficiency as indicated in Note 1(g).

o) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Water usage charges:

When usage readings are taken and customers are billed.

Water and Sewerage access charges:

As services are made available.

Interest:

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

2. Rates Income and Rebates

The Board and the State Government each meet one half of the cost of the Pensioner Rebate Subsidy Scheme. The concession is shown as a deduction from rates, charges and water sales income.

| | 1/1/99 to 30/6/99 | 1999-00 |
|---------------------------------------|-------------------------|--------------|
| | \$'000 | \$'000 |
| Rates, Charges and Water Sales Income | 4,362 | 6,955 |
| Less Pensioner Rebate Subsidy | 151 | 312 |
| | 4,211 | 6,643 |

3. Provision for Employee Entitlements

| | | | | | 1/1/99 to 30/6/99 | 1999-00 |
|---|------------------------------------|------------------------------------|--------------------------------------|-------------------------------|-------------------------|-----------------|
| | Long Service Leave \$'000 | Accrued Sick Leave \$'000 | Accrued Annual Leave \$'000 | Super- annuation \$'000 | Total \$'000 | Total \$'000 |
| Opening Balance | 903 | 237 | 515 | 188 | 1,761 | 1,843 |
| Transfer from Income And Expenditure | 153 | 15 | 269 | 65 | 223 | 502 |
| | 1,056 | 252 | 784 | 253 | 1,984 | 2,345 |
| Payments | 173 | 26 | 302 | 38 | 141 | 539 |
| Closing Balance | 883 | 226 | 482 | 215 | 1,843 | 1,806 |
| Calculated Liability | 883 | 226 | 482 | 215 | 1,843 | 1,806 |
| Liability Provided | 100% | 100% | 100% | 100% | 100% | 100% |

All employee entitlement liabilities have been measured and disclosed at nominal values at balance date and include on costs.

Accounting standard, AAS 30, "Accounting for Employee Entitlements", requires the non current position of long service leave and other post employment entitlements to be disclosed at the present value of the expected future cash outflow unless the difference to the nominal value calculations is immaterial. For the Board's purposes the difference between the nominal and the present value measurement is believed to be immaterial compared to the overall total liability. The approach is also consistent with Treasury Circular 1995/10.

a) Long Service Leave

Represents the accumulated liability for all Board employees at 30 June 2000 that have reached the qualifying period and have become entitled to long service leave. The calculation of liability is based on the total length of service of those employees from the date of commencement of service till balance date.

b) Sick Leave

Represents the accumulated liability for wages employees only at 30 June 2000. The calculation of liability is based on the balance of sick leave remaining 30 June 2000 of leave accrued after 14 July 1964 and prior to 14 February 1993, as per Broken Hill Wages Division Enterprise Agreement 1994 – 1996.

c) Annual Leave

Represents the accumulated liability for all Board employees at 30 June 2000. The calculation of liability is based on individual entitlements at 30 June 2000.

d) Superannuation

The Board has a deferred liability in respect of a past employee who was a contributor to the State Superannuation Scheme. As at 30 June 2000 an actuarial assessment of the Board's liability was provided by the Superannuation Administration Authority and showed a liability of \$215,206 (1999 \$187,728). The 2000 assessment is based on the full requirements of AAS25 where the financial assumptions were:-

| | 30 June 2000 & thereafter % |
|---------------------------|-----------------------------------|
| Rate of Investment Return | 7.0 |
| Rate of Salary Increase | 4.0 |
| Rate of Increase in CPI | 2.5 |

The Board has fully provided for the superannuation liability at 30 June 2000.

4. Investments - At Cost

Investments comprising term deposits are stated at cost. Interest is recognised when earned. The aggregate net fair values of investments are:

| | 1/1/99 to 30/6/99 | 1999-00 |
|---|-------------------------|---------|
| Current Investments: Term Deposits | 114 | 412 |
| Non Current Investments: Term Deposits | 261 | |
| | 261 | |
| | 375 | 412 |

The market value of current investments at 30 June 2000 was \$411,511 (1999 \$114,179). Non current investments had a market value at 30 June 2000 of \$Nil (1999 \$261,600).

This valuation was calculated by the Board using rates provided by the respective investment institutions.

5. Property, Plant & Equipment (\$000's)

6. Loans

Loans are carried at amortised cost until the liabilities are settled. Interest is recognised on an effective yield basis.

The following is an ageing of the Board's outstanding borrowings at 30 June 2000.

| | Up to 1 Year \$'000 | 1 - 2 Years \$'000 | 2 - 5 Years \$'000 | Beyond 5 Years \$'000 | Total \$'000 |
|--|---------------------------|--------------------------|--------------------------|-----------------------------|-----------------|
|--|---------------------------|--------------------------|--------------------------|-----------------------------|-----------------|

The following is an ageing of the Board's outstanding borrowings at 30 June 2000.

| | Up to 1 Year \$'000 | 1 - 2 Years \$'000 | 2 - 5 Years \$'000 | Beyond 5 Years \$'000 | Total \$'000 |
|---------------------------------|---------------------------|--------------------------|--------------------------|-----------------------------|-----------------|
| Treasury Corporation | - | 3,355 | 256 | - | 3,611 |
| Less Discount on Loans | 6 | 6 | 10 | - | 22 |
| Plus Premium on Loans | (6) 96 | 3,349 40 | 246 - | - - | 3,589 136 |
| Total at 30 June 1999 | 315 | 3,445 | 280 | - | 4,040 |
| Total as at 30 June 2000 | 90 | 3,389 | 246 | - | 3,725 |

The Board considers the carrying amount of loans approximate their net fair values.

No loans were raised by the NSW Treasury Corporation on the Board's behalf during the year ended 30 June 2000.

No discounts were received on loans issued by the NSW Treasury Corporation during the year ended 30 June 2000. An amount of \$6,458 was included in interest on loans charged against revenue during year ended 30 June 2000 in respect of discounts on loans leaving a balance outstanding at 30 June 2000 of \$22,048 (1999 \$28,506).

No premiums were received on loans issued by the NSW Treasury Corporation during the year ended 30 June 2000. An amount of \$96,148 was included in interest on loans in respect of premiums on loans during the year ended 30 June 2000 leaving an unamortised balance at 30 June 2000 of \$136,209 (1999 \$232,357).

7. Asset Revaluation Reserve

The balance on the asset revaluation reserve reflects the difference between the historical written down values of assets, and their values calculated as described in Note 1 (m). Asset revaluations, transfers between categories and disposals of assets during the period gave rise to the following balance of the reserve at 30 June 2000.

| | Transfers | Revaluations | Disposals | 1/1/99 to 30/6/99 | 1999-00 |
|------------------|-----------|--------------|-----------|-------------------------|---------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Pumping Stations | | | | 3,923 | 3,923 |
| Treatment Plants | | | | 1,908 | 1,908 |
| Land & Buildings | | | | 2,744 | 2,744 |
| Mains | | 448 | 2 | 1,161 | 1,607 |
| Reticulation | | 1,859 | | 21,255 | 23,114 |
| Pipeline | | | | 14,615 | 14,615 |
| Reservoirs | | | | 15,088 | 15,088 |
| Other | | | | 108 | 108 |
| | | 2,307 | 2 | 60,802 | 63,107 |

8. Emolument or Other Benefits Paid or Due and Payable to Board Members

Fees totalling \$12,360 were due and paid to Board Members during the year ended 30 June 2000 (1999 \$7,292).

9. Audit Fees

The fee payable to the Audit Office of New South Wales for auditing the Board's accounts for the year ended 30 June 2000 including certification for NSW Treasury for GST (Goods and Services Tax) and Year 2000 compliance was \$67,450 (1999 \$49,700). No other benefits were paid to the Audit Office.

10. Capital Expenditure Contracted for at 30 June 2000.

There were no commitments by the Board for capital expenditure contracted for but not otherwise accounted for at 30 June 2000 (1999 \$123,377).

11. Consultants' Fees

Fees totalling \$486,274 were paid in respect of consultancy engagements during year ended 30 June 2000 (1999 \$288,464).

12. Accounts Payable and Accruals

Accounts payable and accruals comprise the following:

| | 1/1/99 to 30/6/99 | 1999-00 |
|-----------------|-------------------------|--------------|
| | \$'000 | \$'000 |
| Trade Creditors | 451 | 2,016 |
| Other Creditors | 552 | 324 |
| Total | 1,003 | 2,340 |

The Board considers the carrying amounts of trade and other accounts payable approximate their net fair values. Accounts payable including accruals are recognised for amounts obliged to be paid in the future for purchases of goods and services. Accounts payable are generally settled within thirty days.

13. Accounts Receivable, Prepayments and Accrued Interest

Current accounts receivable, prepayments and accrued interest is comprised as follows:

| | 1/1/99 to 30/6/99 | 1999-00 |
|-----------------------------------|-------------------------|--------------|
| | \$'000 | \$'000 |
| Debtors – water charges and sales | 2,131 | 1,600 |
| Prepayments | 137 | 173 |
| Accrued Interest | 4 | 6 |
| Sundry Debtors | 69 | 162 |
| Deficit Subsidy | | 735 |
| Total | 2,341 | 2,676 |

Non current receivable, prepayments and accrued interest is comprised as follows:

| | 1/1/99 to 30/6/99 | 1999-00 |
|-------------|-------------------------|---------|
| Prepayments | 988 | 924 |

The Board considers the carrying amounts of trade and other accounts receivable approximate their net fair values.

- Accounts receivable are generally settled within thirty days and are carried at amounts due. The majority of the Board's debtors are comprised of households and commercial water and sewerage service users in Broken Hill and surrounding areas.

Bad debts are written off in the period in which they are identified. The Board does not have any significant exposure to any individual debtor.

"Debtors - water charges and sales" includes a provision for doubtful debts of \$773,215 (1999 \$851,037). Refer note 1(e)

Properties for which the Board considers the service charges are uncollectable have been written off as bad debts. The amount of charges written off in 2000 is \$28,406 (1999 \$6,788).

For other properties where the owners are untraceable and there is limited ability of disposal the raising of charges has a corresponding effect against the provision for doubtful debts.

The non-current prepayment is in respect of a contribution paid toward the cost of providing electric power for the Menindee pipeline. The infrastructure constructed using this contribution is not owned or controlled by the Broken Hill Water Board.

The prepaid amount is being amortised to expenditure over the life of the pipeline. The amount of \$64,776 (1999 \$32,388) was amortised in the year ended 30 June 2000.

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation. This risk in accounts receivable is managed in the following ways:

- Payment terms are within thirty days
- A risk assessment process is used taking into account the amount outstanding and period overdue
- Arrangement with debtor to pay amount outstanding by fixed regular amount.
- Final notice followed by disconnection as a last resort.

All financial assets are unsecured.

14. Funds Dissection of Income and Expenditure Statement for 1999-00

| | Water \$'000 | Sewer \$'000 | Total \$'000 |
|--|-------------------------|-------------------------|-------------------------|
| INCOME | | | |
| Rates & Charges (Net) | 4,306 | 2,337 | 6,643 |
| Mining Companies Water | 191 | - | 191 |
| Investment Income | 48 | 21 | 69 |
| Other Income | 221 | 62 | 283 |
| Capital Contributions – Developers | - | - | - |
| Proceeds on Disposal of Fixed Assets | 354 | 66 | 420 |
| Decrease in Provision for Doubtful Debts | (20) | 98 | 78 |
| | 5,100 | 2,584 | 7,684 |
| EXPENDITURE | | | |
| Operations & Maintenance | 5,822 | 1,295 | 7,117 |
| Administration & Management | 2,079 | 607 | 2,686 |
| Interest on Loans | 301 | 70 | 371 |
| Depreciation | 2,172 | 729 | 2,901 |
| Written Down Value of Asset Disposals | 274 | 47 | 321 |
| Provision for Employee Entitlements | 186 | (6) | 180 |
| Bad Debts | 18 | 10 | 28 |
| | 10,852 | 2,752 | 13,604 |
| OPERATING SURPLUS /(DEFICIENCY) PRIOR TO DEFICIENCY SUBSIDIES | (5,752) | (168) | (5,920) |
| Less Deficiency Subsidies | 5,752 | 6 | 5,758 |
| OPERATING SURPLUS / (DEFICIENCY) | 0 | (162) | (162) |
| Accumulated Funds – Opening Balance | 9,831 | 4,804 | 14,635 |
| TOTAL AVAILABLE FOR APPROPRIATION | 9,831 | 4,642 | 14,473 |
| ACCUMULATED FUNDS - CLOSING BALANCE | 9,831 | 4,642 | 14,473 |

15. Funds Dissection of Balance Sheet for 1999-00

| | Water \$'000 | Sewer \$'000 | General \$'000 | Total \$'000 |
|--------------------------------------|-----------------|-----------------|-------------------|-----------------|
| Current Assets | 2,002 | 1,745 | 101 | 3,848 |
| Non - Current Assets | 60,936 | 19,492 | 1,338 | 81,766 |
| TOTAL ASSETS | 62,938 | 21,237 | 1,439 | 85,614 |
| Current Liabilities | 1,585 | 330 | 1,160 | 3,075 |
| Non - Current Liabilities | 3,998 | 961 | 0 | 4,959 |
| TOTAL LIABILITIES | 5,583 | 1,291 | 1,160 | 8,034 |
| NET ASSETS | 57,355 | 19,946 | 279 | 77,580 |
| CAPITAL AND RETAINED EARNINGS | | | | |
| Revaluation Reserve | 47,524 | 15,304 | 279 | 63,107 |
| Accumulated Funds | 9,831 | 4,642 | 0 | 14,473 |
| | 57,355 | 19,946 | 279 | 77,580 |

16. Statement of Cash Flows

a) Reconciliation of Cash

| | 1/1/99 to 30/6/99 \$'000 | 1999-00 \$'000 |
|--------------------------------|-----------------------------------|-------------------|
| Cash Balance comprises: | | |
| Cash on Hand | 2 | 3 |
| Bank Balance | 607 | 112 |
| Come and Go Borrowing Facility | - | (1,500) |
| Closing Cash Balance | 609 | (1,385) |

For the purposes of the Cash Flow, cash includes cash on hand, bank account balances and investments held in bank term deposits that mature within 90 days and the NSW Treasury Corporation (T-Corp) "come and go facility".

b) Reconciliation of Net Cash provided by Operating Activities to the Operating Surplus

| | 1/1/99 to 30/6/99 | 1999-00 |
|---|----------------------------------|----------------|
| | \$'000 | \$'000 |
| Operating Surplus / (Deficiency) | (297) | (162) |
| Proceeds from Disposal of Assets | (134) | (420) |
| Premium on Loans | (59) | (96) |
| Depreciation | 1,349 | 2,901 |
| Written Down Value of Asset Disposals | 312 | 321 |
| Discount on Loans | 5 | 6 |
| Provision for Employee Entitlements | 81 | (36) |
| Provision for Doubtful Debts | 270 | (78) |
| Movement in Debtors applicable to Operating Activities | (619) | (194) |
| Movement in Creditors applicable to Operating Activities | 1,113 | (1,337) |
| Movement in Stores and Materials applicable to Operating Activities | 95 | 80 |
| Movements in Fixed Assets - Accrual for Capital Expenditure | | |
| Net Cash Provided by Operating Activities | 2,116 | 985 |

c) Credit Arrangements

The Board has a bank overdraft facility of \$800,000 with the Commonwealth Bank of Australia which is used as required in its daily cash management functions, whereby the Board's bank balance may often fluctuate from a deposit to an overdrawn balance. The Board also has a "come and go" facility with T-Corp of \$1,500,000. This facility can be drawn on or repaid to meet the Boards cash flow needs.

17. Additional Financial Instrument Disclosures

Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates.

The Board's exposure to interest rate risk and the effective interest rates on financial instruments at balance date are as follows:

| Financial Instruments | Weighted Average Effective Interest Rate % | Floating Interest rate \$'000 | Fixed Interest Rate Maturities | | | | Total carrying amount as per balance sheet \$'000 |
|--------------------------------------|--|----------------------------------|--------------------------------|-----------------------------|------------------------|--------------------------------|--|
| | | | 1 year or less \$'000 | From 1 to 5 years \$'000 | Over 5 years \$'000 | Non-interest bearing \$'000 | |
| Financial Assets | | | | | | | |
| Cash on Hand | 4.25 | 112 | | | | 3 | 115 |
| Receivables | N/A | | | | | 2,503 | 2,503 |
| Term Deposits | 9.49 | | 412 | | | | 412 |
| Total Financial Assets (2000) | | 112 | 412 | | | 2,506 | 3,030 |
| Total Financial Assets (1999) | | 607 | 114 | 261 | | 2,202 | 3,184 |
| | | | | | | | |
| Financial Liabilities | | | | | | | |
| Come & Go facility | 4.85 | 1,500 | | | | | 1,500 |
| Payables | N/A | | | | | 1,003 | 1,003 |
| Loans | 10.86 | | 90 | 3,635 | | | 3,725 |
| Total at 30 June 1999 | | | 315 | 3,725 | | 2,340 | 6,380 |
| Total at 30 June 2000 | | 1,500 | 90 | 3,635 | | 1,003 | 6,228 |

18. Leasing Commitments

Non-Cancellable Operating Leases contracted for but not capitalised in the accounts

| | 1/1/99 to 30/6/99 \$000's | 1999-00 \$000's |
|---|------------------------------------|--------------------|
| Payable: | | |
| - not longer than 1 year | 76 | 84 |
| - longer than 1 year but not longer than 5 years | 293 | 239 |
| | 369 | 323 |

The above figures in the year 2000 include GST. This gives rise to a contingent asset of \$30k being the amount of GST available as a credit to the Board.

19. Contingent Liability

There are no contingent liabilities as at 30 June 2000.

END OF AUDITED FINANCIAL STATEMENTS

STATEMENT BY BOARD MEMBERS

Pursuant to Section 41C(1B) of the Public Finance and Audit Act, 1983, and in accordance with a resolution of the members of the Broken Hill Water Board, we declare on behalf of the Board that in our opinion, the accompanying income and expenditure statement, balance sheet and statement of cash flows, read in association with the notes to the statements:

- (i) exhibit a true and fair view of the Broken Hill Water Board's financial position at 30 June 2000 and transaction for the year ended 30th June, 2000.
- (ii) have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, the Public Finance and Audit (Statutory Bodies) Regulation, 1985, and the Treasurer's Directions; and
- (iii) we are not aware of any circumstances, as at this date, which would render any particulars included in the financial statements to be misleading or inaccurate.

.....
[Redacted Signature]
T.S. Dineen
Member

.....
[Redacted Signature]
G.C. Reville
Member

Broken Hill, Wednesday 6th December, 2000



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

BROKEN HILL WATER BOARD

To Members of the New South Wales Parliament and Members of the Broken Hill Water Board

Scope

I have audited the accounts of the Broken Hill Water Board for the year ended 30 June 2000. The members of the Board are responsible for the financial report consisting of the accompanying balance sheet, income and expenditure statement and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and Members of the Broken Hill Water Board based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

In addition, other legislative and policy requirements, which could have an impact on the Board's financial report, have been reviewed on a cyclical basis. For this year, the requirements examined comprised compliance with:

- core business activities being in accordance with *Water Supply Authorities Act 1987*; and
- key provisions of Part 2 of the *Public Sector Management Act 1988* and Parts 2, 3, 4, 5 and 6 of the *Public Sector Management (General) Regulation 1996*.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Board's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of the Broken Hill Water Board complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Board as at 30 June 2000 and the results of its operations and its cash flows for the year then ended.



G J Gibson, FCPA
Principal Auditor
(duly authorised by the Auditor-General of New South Wales
under section 41C(1A) of the Act)

Real Property Holdings

The Board's Real Property Holdings have been divided into three major categories comprising:

- a) Property holdings which are fully integral to the Board's system for the distribution of its service and therefore not readily available for alternative use, which falls into two sub-categories -
 - 15 major properties which have been valued for insurance purposes as having a total replacement value of \$5,806,455;
 - 10 other properties with assets which are insured but have not been specifically valued for insurance purposes;
- b) Vacant land which is held for future use by the Board in the distribution of its services and therefore not readily available for alternative use, comprising seven properties with a total value of \$18,930; and
- c) Property holdings considered to be wholly, partially or potentially available for alternative use, comprising 12 properties with a replacement value of \$1,415,000.

ANNEXURE NO.1A

WATER AND SEWERAGE CHARGES

Determination of Service Charges for Year Commencing 1 July 1999

PURSUANT to Section 34, Water Supply Authorities Act 1987, and in accordance with the Regulations thereto, The Broken Hill Water Board determines the scale of charges to apply for the 12 months commencing on 1 July 1999, as follows:

SCHEDULE 1 Water Supply Charges

1. CITY OF BROKEN HILL

Residential Land – (Including Courtesy Services):

a) Water Access Charge:-

| Nominal Size of Water Service | Annual Access Charge (\$) |
|-------------------------------|---------------------------|
| 20 mm | 210.00 |
| 25 mm | 210.00 |
| 32 mm | 463.00 |
| 40 mm | 721.00 |
| 50 mm | 1,125.00 |
| 80 mm | 2,874.00 |
| 100 mm | 4,390.00 |

plus

b) i) Water Usage Charge:-

Water Usage

0 – 200 kilolitres allowance included in access charge
201 – 400 kilolitres 56 cents per kilolitre
Over 400 kilolitres \$1.57 per kilolitre

b) ii) Unfiltered Water Usage Charge:-

0 – 200 kilolitres allowance included in access charge
Over 200 kilolitres 76 cents per kilolitre

Commercial Land –

i) Water Access Charge:-

| Nominal Size of Water Service | Annual Access Charge (\$) |
|-------------------------------|---------------------------|
| 20 mm | 210.00 |

| | |
|--------|-----------|
| 25 mm | 326.00 |
| 32 mm | 532.00 |
| 40 mm | 830.00 |
| 50 mm | 1,294.00 |
| 80 mm | 3,306.00 |
| 100 mm | 5,168.00 |
| 150 mm | 11,614.00 |

ii) Water Usage Charge:-

0 – 200 kilolitres allowance included in access charge
201 – 400 kilolitres 93 cents per kilolitre
Over 400 Kilolitres \$1.01 per kilolitre

iii) Unfiltered Water Usage Charge:-

0 – 200 kilolitres allowance included in access charge
Over 200 kilolitres 76 cents per kilolitre

Vacant Land

All properties to be levied \$165.00 per property.

Properties Exempt from Water Service Charges

Any water supplied by measure shall be 97 cents per kilolitre.

Unfiltered Water Usage Charge:-

All usage to be charged at 76 cents per kilolitre.

2. VILLAGE OF MENINDEE

Residential Land (Including Courtesy Services):

a) Water Access Charge:-

| Nominal Size of Water Service | Annual Access Charges (\$) |
|-------------------------------|----------------------------|
| 20 mm | 210.00 |
| 25 mm | 210.00 |
| 32 mm | 463.00 |
| 40 mm | 721.00 |
| 50 mm | 1,125.00 |
| 80 mm | 2,874.00 |
| 100 mm | 4,390.00 |

plus

b) i) Water Usage Charge

0 – 200 kilolitres allowance included in access charge

201 – 400 kilolitres 56 cents per kilolitre

Over 400 kilolitres \$1.57 per kilolitre

Commercial Land –

a) Water Access Charge:-

| <i>Nominal Size of Water Service</i> | <i>Annual Access Charge (\$)</i> |
|--------------------------------------|----------------------------------|
| 20 mm | 210.00 |
| 25 mm | 326.00 |
| 32 mm | 532.00 |
| 40 mm | 830.00 |
| 50 mm | 1,294.00 |
| 80 mm | 3,306.00 |
| 100 mm | 5,168.00 |
| 150 mm | 11,614.00 |

b) ii) Water Usage Charge:-

0 – 200 kilolitres allowance included in access charge

201 – 400 kilolitres 93 cents per kilolitre

Over 400 kilolitres \$1.01 per kilolitre

Vacant Land

All properties to be levied \$165.00 per property.

Properties Exempt from Water Service Charges

Water supplied by measure within the Village of Menindee shall be 97 cents per kilolitre.

Unfiltered Water Usage Charge:-

All usage to be charged at 76 cents per kilolitre.

3. SETTLEMENT OF SUNSET STRIP

Residential Land (Including Courtesy Services):

| <i>Nominal Size of Water Service</i> | <i>Annual Access Charge (\$)</i> |
|--------------------------------------|----------------------------------|
| 20 mm | 140.00 |
| 25 mm | 140.00 |
| 32 mm | 309.00 |
| 40 mm | 481.00 |
| 50 mm | 750.00 |
| 80 mm | 1,916.00 |
| 100 mm | 2,927.00 |

Vacant Land

All properties to be levied \$110.00 per property.

Usage Charge

Water Usage

0 – 200 kilolitres allowance included in access charge

201 – 400 kilolitres 35 cents per kilolitre

Over 400 kilolitres \$1.36 per kilolitre

4. SILVERTON (Including Courtesy Services):

a) Water Access Charge:-

| <i>Nominal Size of Water Service</i> | <i>Annual Access Charge (\$)</i> |
|--------------------------------------|----------------------------------|
| 20 mm | 210.00 |
| 25 mm | 210.00 |
| 32 mm | 463.00 |
| 40 mm | 721.00 |
| 50 mm | 1,125.00 |
| 80 mm | 2,874.00 |
| 100 mm | 4,390.00 |

plus

Water Usage

0 – 200 kilolitres allowance included in access charge

201 – 400 kilolitres 48 cents per kilolitre

Over 400 kilolitres \$1.50 per kilolitre

5. PIPELINE CONSUMERS

a) Water Access Charge:-

| <i>Nominal Size of Water Service</i> | <i>Annual Access Charge (\$)</i> |
|--------------------------------------|----------------------------------|
| 20 mm | 210.00 |
| 25 mm | 210.00 |
| 32 mm | 463.00 |
| 40 mm | 721.00 |
| 50 mm | 1,125.00 |
| 80 mm | 2,874.00 |
| 100 mm | 4,390.00 |

plus

Water Usage

0 – 200 kilolitres allowance included in access charge

Over 200 kilolitres 76 cents per kilolitre

SCHEDULE 2 **Sewerage Service Charges**

CITY OF BROKEN HILL:

Residential Land: 0.6160 cents for each dollar of Land Value – the minimum amount in respect of any such land shall be \$208.00, provided that in respect of any chargeable land used as the site of a building comprising only two or more flats, the minimum amount shall be \$208.00 in respect of each flat, and further provided that in respect of any strata lot designed and intended for occupation or used for the purpose of accommodating one, or more than one, motor vehicle, there shall be no minimum amount for service charges.

Commercial Land: 4.1845 cents for each dollar of Land Value – the minimum amount in respect of any such land shall be \$302.00, provided that in respect of any chargeable land used as the site of a building comprising, wholly or partly, two or more flats, the minimum amount shall be \$302.00 plus \$208.00 in respect of each flat, and further, provided that in respect of any strata lot designed for the purpose of accommodating one, or more than one, motor vehicle, there shall be no minimum amount for service charges.

Other Land: 0.5157 cents for each dollar of Land Value – the minimum amount in respect of any such land shall be \$104.00.

Sewerage Charges in Respect of Lands Exempt under Schedule 6:

a) The charge for sewerage services rendered, unless otherwise provided by separate assessment by the Board of the cost of providing the service, in respect of –

- i) lands owned by the Crown, being
 - 1) State School Lands, and
 - 2) Lands used or occupied as a playground in connection with such school, or as the residence of a caretaker, servant or teacher of any such school:-

ii) land which belongs to and which is occupied and used in connection with any school registered under the Bursary Endowment Act 1912, or any certified school under the Public Instruction (Amendment) Act 1916, including any playground which belongs to and is used in connection with any such school, and any building occupied as a residence by any caretaker, servant or teacher of any such school which belongs to and is used in connection with the school;

iii) land which belongs to a religious body and which is occupied and used in connection with any church or other building used or occupied for public worship;

shall be sixty three dollars and fifty cents per annum for each water closet on the premises. In any case where a urinal is installed an additional seventy two dollars per annum for each cistern serving such urinal may be made.

b) The charge for sewerage services rendered in respect of –

i) lands, other than lands referred to in paragraph i) of clause (a) above, owned by the Crown, which are exempt under schedule 6 of the act

ii) lands, other than lands referred to in paragraph (iii) of clause (a) above, belonging to a religious body which is exempt under Schedule 6 of the Act; shall be seventy two dollars per annum for each water closet on the premises. In any case where a urinal is installed an additional seventy two dollars per annum for each cistern serving such urinal may be made.

ANNEXURE NO.1B

WATER AND SEWERAGE CHARGES

Determination of Service Charges for 6 Months commencing 1 January 1999

PURSUANT to Section 34, Water Supply Authorities Act 1987, and in accordance with the Regulations thereto, The Broken Hill Water Board determines the scale of charges to apply for the 6 months commencing on 1 January 1999, as follows:

SCHEDULE 1 Water Supply Charges

1. CITY OF BROKEN HILL

Residential Land – (Including Courtesy Services):

a) Water Access Charge:

| <i>Nominal Size of Water Service</i> | <i>6 Month Access Charge (\$)</i> |
|--|---------------------------------------|
| 20 mm | 101.00 |
| 25 mm | 101.00 |
| 32 mm | 217.00 |
| 40 mm | 339.00 |
| 50 mm | 529.00 |
| 80 mm | 1,354.00 |
| 100 mm | 2,116.00 |

plus

b) i) Water Usage Charge:-

Water Usage

0 – 100 kilolitres allowance included in access charge

101 – 200 kilolitres 54 cents per kilolitre

Over 200 kilolitres \$1.53 per kilolitre

b) ii) Unfiltered Water Usage Charge:-

Usage charge for unfiltered water shall be reduced by 21 cents per kilolitre from the equivalent charge for filtered water.

Commercial Land -

The greater of:-

- a) Service charge of 1.2019 cents for each dollar of land value – with minimum amount in respect of any

such land being \$135.00, provided that in respect of any chargeable land used as the site of a building comprising, wholly or partly, two or more flats, the minimum amount shall be \$135.00, plus \$101.00 in respect of each flat and further, provided that in respect of any strata lot designed and intended for occupation or used for the purpose of accommodating one, or more than one, motor vehicle, there shall be no minimum amount; plus water used in connection with that land, the charge in any year shall be 95 cents per kilolitre on any amount in excess of an amount which at a rate of 92 cents per kilolitre, would produce a sum equal to the water service charge payable in respect of that land for the year.

OR

b) i) Water Access Charge:-

| <i>Nominal Size of Water Service</i> | <i>6 Month Access Charge (\$)</i> |
|--|---------------------------------------|
| 20 mm | 101.00 |
| 25 mm | 158.00 |
| 32 mm | 259.00 |
| 40 mm | 405.00 |
| 50 mm | 633.00 |
| 80 mm | 1,619.00 |
| 100 mm | 2,531.00 |
| 150 mm | 5,692.00 |

b) ii) Water Usage Charge:-

0 – 100 kilolitres allowance included in access charge

Over 100 kilolitres 95 cents per kilolitre

b) iii) Unfiltered Water Usage Charge:-

Usage charge for unfiltered water shall be reduced by 21 cents per kilolitre from the equivalent charge for filtered water.

Vacant Land

All properties to be levied \$78.00 per property.

Properties Exempt from Water Service Charges

Any water supplied by measure shall be 95 cents per kilolitre.

Unfiltered Water Usage Charge:-

Usage charge for unfiltered water shall be reduced by 21 cents per kilolitre from the equivalent charge for filtered water.

2. VILLAGE OF MENINDEE

Residential Land (Including Courtesy Services):

a) Water Access Charge:-

| <i>Nominal Size of Water Service</i> | <i>6 Month Access Charge (\$)</i> |
|--|---------------------------------------|
| 20 mm | 93.00 |
| 25 mm | 93.00 |
| 32 mm | 200.00 |
| 40 mm | 311.00 |
| 50 mm | 486.00 |
| 80 mm | 1,245.00 |
| 100 mm | 1,946.00 |

plus

b) i) Water Usage Charge

0 – 100 kilolitres allowance included in access charge

101 – 200 kilolitres 54 cents per kilolitre

Over 200 kilolitres \$1.53 per kilolitre

Commercial Land:-

a) Water Access Charge:-

| <i>Nominal Size of Water Service</i> | <i>6 Month Access Charge (\$)</i> |
|--|---------------------------------------|
| 20 mm | 101.00 |
| 25 mm | 158.00 |
| 32 mm | 259.00 |
| 40 mm | 405.00 |
| 50 mm | 633.00 |
| 80 mm | 1,619.00 |
| 100 mm | 2,531.00 |
| 150 mm | 5,692.00 |

b) ii) Water Usage Charge:-

0 – 100 kilolitres allowance included in access charge

Over 100 kilolitres 95 cents per kilolitre

Vacant Land

All properties to be levied \$78.00 per property.

Unfiltered Water Usage Charge:-

All usage to be charged at 74 cents per kilolitre.

Properties Exempt from Water Service Charges

Water supplied by measure within the Village of Menindee shall be 95 cents per kilolitre.

3. SETTLEMENT OF SUNSET STRIP

Residential Land (Including Courtesy Services):

| <i>Nominal Size of Water Service</i> | <i>6 Month Access Charge (\$)</i> |
|--|---------------------------------------|
| 20 mm | 64.00 |
| 25 mm | 64.00 |
| 32 mm | 135.00 |
| 40 mm | 212.00 |
| 50 mm | 331.00 |
| 80 mm | 846.00 |
| 100 mm | 1,322.00 |

Vacant Land

All properties to be levied \$52.00 per property.

Usage Charge

Water Usage

0 – 100 kilolitres allowance included in access charge

101 – 200 kilolitres 33 cents per kilolitre

Over 200 kilolitres \$1.31 per kilolitre

a) Water Access Charge:-

| <i>Nominal Size of Water Service</i> | <i>6 Month Access Charge (\$)</i> |
|--|---------------------------------------|
| 20 mm | 101.00 |
| 25 mm | 101.00 |
| 32 mm | 217.00 |
| 40 mm | 339.00 |
| 50 mm | 529.00 |
| 80 mm | 1,354.00 |
| 100 mm | 2,116.00 |

plus

Water Usage

0 – 100 kilolitres allowance included in access charge
101 – 200 kilolitres 44 cents per kilolitre
Over 200 kilolitres \$1.43 per kilolitre

5. PIPELINE CONSUMERS

a) Water Access Charge:-

| <i>Nominal Size of Water Service</i> | <i>6 Month Access Charge (\$)</i> |
|--|---------------------------------------|
| 20 mm | 101.00 |
| 25 mm | 101.00 |
| 32 mm | 217.00 |
| 40 mm | 339.00 |
| 50 mm | 529.00 |
| 80 mm | 1,354.00 |
| 100 mm | 2,116.00 |

plus

Water Usage

0 – 100 kilolitres allowance included in access charge
Over 100 kilolitres 74 cents per kilolitre

SCHEDULE 2 Sewerage Service Charges

CITY OF BROKEN HILL:

Residential Land: 0.6100 cents for each dollar of Land Value – the minimum amount in respect of any such land shall be \$100.00, provided that in respect of any chargeable land used as the site of a building comprising only two or more flats, the minimum amount shall be \$100.00 in respect of each flat, and further provided that in respect of any strata lot designed and intended for occupation or used for the purpose of accommodating one, or more than one, motor vehicle, there shall be no minimum amount for service charges.

Commercial Land: 2.0437 cents for each dollar of Land Value – the minimum amount in respect of any such land shall be \$145.00, provided that in respect of any chargeable land used as the site of a building comprising, wholly or partly, two or more flats, the minimum amount shall be \$145.00 plus \$100.00 in respect of each flat, and further, provided that in respect of any strata lot designed for the purpose of accommodating one, or more than one, motor

vehicle, there shall be no minimum amount for service charges.

Other Land: 0.5007 cents for each dollar of Land Value – the minimum amount in respect of any such land shall be \$50.00.

Sewerage Charges in Respect of Lands Exempt under Schedule 6

a) The charge for sewerage services rendered, unless otherwise provided by separate assessment by the Board of the cost of providing the service, in respect of –

i) lands owned by the Crown,
being
1) State School Lands, and
2) Lands used or occupied as a playground in connection with such school, or as the residence of a caretaker, servant or teacher of any such school:-

ii) land which belongs to and which is occupied and used in connection with any school registered under the Bursary Endowment Act 1912, or any certified school under the Public Instruction (Amendment) Act 1916, including any playground which belongs to and is used in connection with any such school, and any building occupied as a residence by any caretaker, servant or teacher of any such school which belongs to and is used in connection with the school;

iii) land which belongs to a religious body and which is occupied and used in connection with any church or other building used or occupied for public worship;

shall be thirty dollars and fifty cents per 6 months for each water closet on the premises. In any case where a urinal is installed an additional thirty-four dollars and fifty cents per 6 months for each cistern serving such urinal may be made.

b) The charge for sewerage services rendered in respect of:

i) lands, other than lands referred to in paragraph i) of clause a) above, belonging to a religious body which is exempt under Schedule 6 of the Act;

shall be thirty-four dollars and fifty cents per 6 months for each water closet on the premises. In any case where a urinal is installed an additional thirty-four dollars and fifty cents per 6 months for each cistern serving such urinal may be made.

ANNEXURE NO. 2

INCOME COMPARISONS

WATER FUND - \$'000

| | 1996 | 1997 | 1998 | 1/1/99 to 30/6/99 | 1999-00 |
|------------------------|-------|--------|--------|-------------------------|---------|
| Service Charges | 1,720 | 1,698 | 2,103 | 1,982 | 2,130 |
| Water Sales | 2,279 | 2,413 | 2,262 | 1,065 | 2,106 |
| Other | 707 | 764 | 575 | 242 | 603 |
| | 4,706 | 4,875 | 4,940 | 3,287 | 4,839 |
| Water Sales | | | | | |
| Menindee | 52 | 74 | 69 | 31 | 62 |
| Sunset Strip | 11 | 14 | 17 | 6 | 8 |
| | 4,769 | 4,963 | 5,026 | 3,326 | 4,909 |
| Transfer from Reserves | - | - | - | - | - |
| | 4,769 | 4,963 | 5,026 | 3,326 | 4,909 |
| Mining Companies | | | | | |
| Subsidy | 3,547 | 4,093 | 3,809 | 1,900 | 4,442 |
| Water | 190 | 201 | 178 | 89 | 191 |
| Treasury Subsidy | 1,056 | 1,214 | 1,127 | 562 | 1,310 |
| | 9,562 | 10,471 | 10,140 | 5,877 | 10,852 |

SEWERAGE FUND - \$'000

| | 1996 | 1997 | 1998 | 1/1/99 to 30/6/99 | 1999-00 |
|------------------------|-------|-------|-------|-------------------------|---------|
| Service Charges | 2,066 | 2,118 | 2,207 | 1,127 | 2,337 |
| Special Charges | | | | | |
| Mining Companies | 6 | 6 | 6 | 3 | 6 |
| Other | 260 | 177 | 288 | 89 | 241 |
| | 2,332 | 2,301 | 2,501 | 1,219 | 2,584 |
| Transfer from Reserves | - | - | - | - | - |
| | 2,332 | 2,301 | 2,501 | 1,219 | 2,584 |
| Treasury Subsidy | 0 | 6 | 6 | 3 | 6 |
| | 2,332 | 2,307 | 2,507 | 1,222 | 2,590 |

The accounting treatment for capital contributions changed from 1998 to include them under other income. Previous years figures have been amended to reflect this change.

ANNEXURE NO. 3

EXPENDITURE COMPARISONS

WATER FUND - \$,000

| | 1996 | 1997 | 1998 | 1/1/99 to 30/6/99 | 1999-00 |
|---|--------------|---------------|---------------|-------------------------|---------------|
| Operations and Maintenance | 5,097 | 5,548 | 5,156 | 3,064 | 5,822 |
| Administration and Management | 1,559 | 1,891 | 1,939 | 1,022 | 2,079 |
| Interest on Loans | 671 | 616 | 504 | 249 | 301 |
| Depreciation | 1,933 | 2,003 | 2,040 | 1,012 | 2,172 |
| Written Down Value - Asset Disposals | 180 | 244 | 404 | 279 | 274 |
| Discount on Loans | 6 | 5 | | - | - |
| Provision for Employee Entitlements | (15) | 105 | 21 | 112 | 186 |
| Provision for Redundancy Payments | - | - | - | - | - |
| Provision for Doubtful Debt | 129 | 55 | 76 | 139 | 18 |
| | <u>9,560</u> | <u>10,467</u> | <u>10,140</u> | <u>5,877</u> | <u>10,852</u> |
| Transfer to Reserves | | | | | |
| Loan Repaid Reserve | - | - | - | - | - |
| Financial Accommodation Repayment Reserve | - | - | - | - | - |
| Capital Reserve | - | - | - | - | - |
| Renewals and Replacement Reserve | - | - | - | - | - |
| | <u>9,560</u> | <u>10,467</u> | <u>10,140</u> | <u>5,877</u> | <u>10,852</u> |

COST PER KILOLITRE - ¢ (basis - quantity metered)

| | 1994 | 1995 | 1996 | 1997 | 1998 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Operations and Maintenance | 61.7 | 82.5 | 84.2 | 86.6 | 81.0 |
| Administration and Management | 19.5 | 20.5 | 25.8 | 29.5 | 30.5 |
| Interest on Loans | 10.5 | 10.2 | 11.1 | 9.6 | 7.9 |
| Depreciation | 10.5 | 12.8 | 32.0 | 31.3 | 32.0 |
| Other | 2.8 | 2.1 | 5.2 | 3.9 | 6.3 |
| Provisions ° * | 0.5 | 4.9 | -0.2 | 3.0 | 1.5 |
| Transfer to Reserves * | 9.9 | 15.9 | - | - | - |
| | <u>105.3</u> | <u>115.4</u> | <u>148.9</u> | <u>158.1</u> | <u>159.2</u> |

* Excludes transfer to Capital Reserve of amounts corresponding to capital contributions received.

°* 1994 includes \$100,000 write back.

EXPENDITURE COMPARISONS

SEWERAGE FUND

| | 1996 | 1997 | 1998 | 1/1/99 to 30/6/99 | 1999-00 |
|---|-------|-------|-------|-------------------------|---------|
| Operation and Maintenance | 1,106 | 1,073 | 1,103 | 642 | 1,295 |
| Administration and Management | 381 | 544 | 584 | 325 | 607 |
| Interest and Loans | 178 | 167 | 152 | 75 | 70 |
| Depreciation | 712 | 712 | 698 | 337 | 729 |
| Written Down Value Asset Disposals | 35 | 19 | 45 | 33 | 47 |
| Discounts on Loans | 4 | 4 | - | - | - |
| Provision for Employee Entitlements | 43 | 75 | 27 | (31) | (6) |
| Provision for Doubtful Debts | 22 | 31 | 26 | 138 | 10 |
| | 2,481 | 2,625 | 2,635 | 1,519 | 2,752 |
| Transfer to Reserves | | | | | |
| Loans Repaid Reserve | - | - | - | - | - |
| Financial Accommodation Repayment Reserve | - | - | - | - | - |
| Renewals and Replacements Reserve | - | - | - | - | - |
| Capital Reserve | - | - | - | - | - |
| | 2,481 | 2,625 | 2,635 | 1,519 | 2,752 |
| Surplus/Deficit | (155) | (320) | (128) | (297) | (162) |
| | 2,326 | 2,305 | 2,507 | 1,222 | 2,590 |

ANNEXURE NO. 4

LOANS RAISED – 1999-00

NSW TREASURY CORPORATION

There were no loans allotted during 1999-00.

CONVERSIONS

There were no conversions during 1999-00.

ANNEXURE NO. 5

RAINFALL

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|-----------------------|--------------|------------|--------------|--------------|--------------|
| Broken Hill | | | | | |
| January | 25.4 | 25 | 100.4 | 1.8 | 4.0 |
| February | 10.8 | 43 | 16.0 | 4.6 | 112.4 |
| March | 64.8 | 1 | 8.0 | 19.4 | 6.8 |
| April | 0 | 0 | 9.2 | 0 | 57.2 |
| May | 6.8 | 36 | 0.6 | 12.8 | 31.0 |
| June | 13.2 | 3 | 13.6 | 9.6 | 6.8 |
| July | 60.4 | 0 | 49.0 | 32.4 | |
| August | 28.6 | 12 | 6.4 | 8.4 | |
| September | 38.4 | 35 | 18.6 | 13.8 | |
| October | 10.8 | 24 | 9.0 | 48.6 | |
| November | 23.2 | 12 | 23.0 | 45.4 | |
| December | 20.0 | 33 | 9.4 | 15.0 | |
| Total | 302.4 | 223 | 263.2 | 211.8 | 381.8 |
| Umberumberka | | | | | |
| Total | 286.5 | 254 | 185 | 209 | 334 |
| Stephens Creek | | | | | |
| Total | 271.3 | 200 | 240 | 202 | 388 |

Note:

- (i) Recording of rainfall statistics in Broken Hill commenced in May 1888.
- (ii) The highest monthly rainfall on record for Broken Hill was recorded during April 1974 (219.0 mm).
- (iii) Record annual rainfall for Broken Hill was recorded in 1974 (836.6 mm).
- (iv) Change to financial year reporting 1999-00

ANNEXURE NO.6

STORAGES

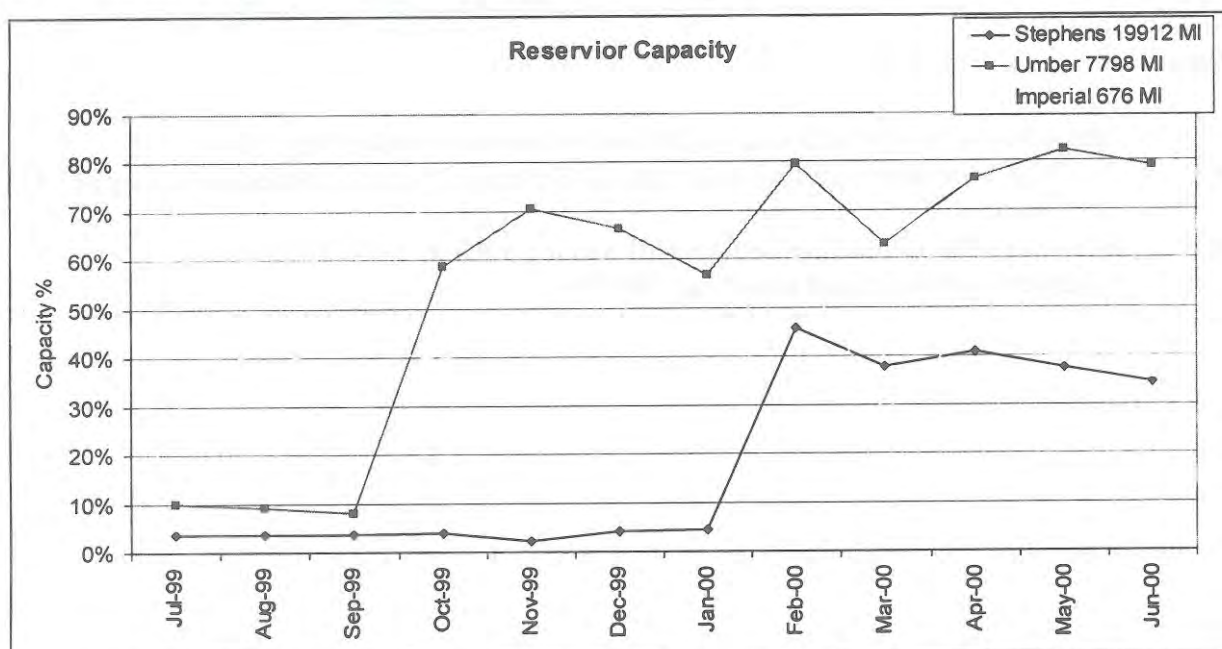
INTAKES 1999-00

| Location | Date | Level After Intake Metres | Rainfall Qty Mm | Duration Days | Intake Received megalitres |
|----------------|----------|---------------------------------|-----------------------|------------------|----------------------------------|
| Umberumberka | 04/05/00 | 9.31 | 37 | 1 | 676 |
| | 14/04/00 | 8.59 | 18 | 1 | 565 |
| | 21/02/00 | 9.09 | 47 | 1 | 2263 |
| | 05/11/99 | 8.72 | 4 | 1 | 1294 |
| | 03/10/99 | 7.92 | 52 | 2 | 4421 |
| Stephens Creek | 21/02/00 | 3.50 | 122 | 2 | 9559 |

RESERVOIR STORAGE (as at 30 June 2000)

| | Storage |
|----------------|---------------|
| Umberumberka | 6172 |
| Stephens Creek | 6901 |
| Total | 13,073 |

Reservoir Storage Graph – Monthly 1999-00



ANNEXURE NO.7

PUMPING

Table 1

| | 1996 | 1997 | 1998 | 1999** | 1999-00 |
|---|-------------------|-------------|-------------|-------------|-------------|
| | Megalitres | | | | |
| Umberumberka | 845.8 | 1240 | 1452 | 775 | 804 |
| Stephens Creek | 3766.4 | 526 | 2279 | 243 | 2890 |
| River Darling | 2684.6 | 6219 | 4022 | 3848 | 3557 |
| Imperial Lake | 281.7 | 132 | 103 | - | 68 |
| Sub-Total | 7578.5 | 8117 | 7856 | 4866 | 7319 |
| Less Diversions to Terminal Storages | 357.5 | 866 | 0 | 120 | 0 |
| | 7,221.0 | 7251 | 7856 | 4740 | 7319 |

Table 2

| | Period | | | | | |
|-------------------------------|---------------|---|------|----------------|------|----------------|
| | 1939 | - | 1950 | #1951 | - | 2000* |
| | M1 | | % | M1 | % | M1 |
| Umberumberka | 10,109 | | 29.2 | 50,004 | 13.9 | 60,540 |
| Stephens Creek | 23,693 | | 68.5 | 107,833 | 29.9 | 131,526 |
| Darling River | 790 | | 2.3 | 197,816 | 54.8 | 198,605 |
| Imperial Lake | 0 | | 0 | 5,094 | 1.4 | 5,094 |
| Total | 34,592 | | | 360,747 | | 395,765 |
| Average Yearly Pumping | 2,882 | | | 7,362 | | 6,488 |

Notes:

The Board commenced operations in 1939.

Amendment Act of 1951 brought down.

^ Darling River water available per pipeline only since 11 June 1952. The above figure of 789.7 megalitres represents water carried to Broken Hill by water tanker trains between 1994 and 1950.

** 1999 Six Month Period 1 January 1999 to 30 June 1999.

* To 30 June 2000.

ANNEXURE NO.8

DISTRIBUTION

| | Consumption | | | | | |
|-------------------------|---------------------|------------------|-------------------------|------------------|---------------------|------------------|
| | 1998 | | 1/1/99 to 30/6/99 | | 1999-00 | |
| | Total Kilolitres | Daily Average | Total Kilolitres | Daily Average | Total Kilolitres | Daily Average |
| Mines (Industrial) | 1,549,010 | 4,244 | 775,217 | 4248 | 1,642,209 | 4,499 |
| Mines (Social Services) | 133,497 | 366 | 76,819 | 421 | 191,286 | 524 |
| Large Consumers | 736,959 | 2,019 | 518,613 | 2842 | 686,480 | 1,881 |
| Ordinary Ratepayers | 3,079,963 | 8,438 | 2,082,221 | 11409 | 3,026,817 | 8,293 |
| Free Service | 345,543 | 947 | 116,184 | 637 | - | - |
| Commercial | 316,149 | 866 | 237,855 | 1303 | 648,382 | 1,776 |
| Sub - Total | 6,161,121 | 16,880 | 16,880 | 3,806,927 | 6,195,174 | 16,973 |
| Menindee Township | 168,251 | 461 | 461 | 110,282 | 89,483 | 245 |
| (Inc Free Services) | 39,908 | 109 | 109 | 20,831 | 28,034 | 77 |
| Sunset Strip | | | | | | |
| Total | 6,369,280 | 17,450 | 17,450 | 3,938,040 | 6,312,691 | 17,295 |

ANNEXURE NO. 9

BROKEN HILL WATER BOARD PUBLICATIONS

Hardy B. Water Carts to Pipelines - The History of the Broken Hill Water Supply
Halstead Press, Sydney, 1968

Annual Report Half Year 1999

Guarantee of Service

Human Resources Strategic Plan 1994 - 1996

Fact Sheets:

- ◆ *The Broken Hill Water Board Sewerage Scheme.*
- ◆ *The Broken Hill Water Board - Catchment Areas.*
- ◆ *The Broken Hill Water Board - Sources of Water Supply.*
- ◆ *The Broken Hill Water Board - Mica Street Water Treatment Plant Operation Guide.*
- ◆ *Umberumberka Reservoir, Steam Pumping Plant - Broken Hill NSW*
- ◆ *Umberumberka Dam - Brief Description and History.*
- ◆ *How to Read your Water Meter.*
- ◆ *Substances Excluded from the Sewers.*
- ◆ *The Broken Hill Water Board - Water Supply Schematic.*

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ACKNOWLEDGMENTS

The Board gratefully acknowledges the cooperation extended during the year by its staff, government departments and corporate bodies.

200 copies of this Annual Report printed at a cost of \$15.90 per copy.

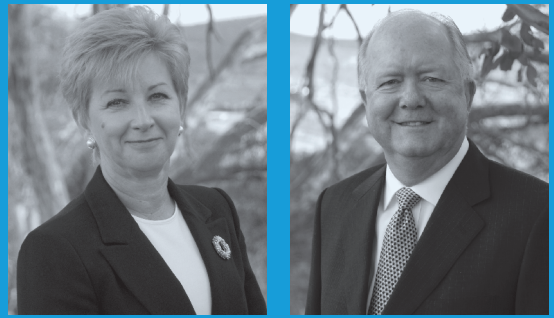
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Australian Inland Energy Water Infrastructure Annual Report 2004-2005

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Chairman and Managing Director's report

The year 2004-2005 saw great change for the employees of Australian Inland.

On 5 November 2004, the New South Wales Government announced that Australian Inland would merge with Country Energy.

An interim Board was appointed, comprising four members of Country Energy's Board, and arrangements allowing Country Energy to act on behalf of Australian Inland until 30 June 2005 were approved by both Boards.

Merger plans were put in place to ensure a smooth transition for both organisations. A merger project team was formed, with employees from both businesses working together to ensure a successful amalgamation.

In early 2005, it was announced that Country Energy's new Far West region would be headed by new regional general manager Guy Chick and the former Director-General of the New South Wales Ministry of Energy and Utilities, Brian Steffen, was appointed to the new role of general manager, water.

In March 2005, a new customer service centre was opened in Broken Hill, in line with Country Energy's strong customer focus and commitment to increasing its presence and improving services to country New South Wales.

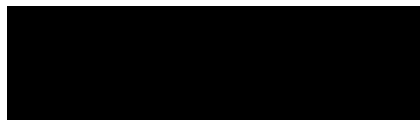
In June 2005, 71 Australian Inland employees were recognised with Service Milestone Awards, celebrating both the hard work of the past, and the wealth of experience that these employees bring to Country Energy.

From 1 July 2005, the merger of Australian Inland and Country Energy took full effect.

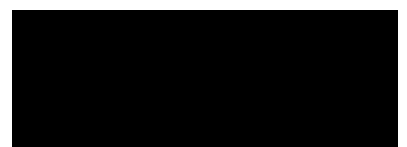
The merger has provided each business with a renewed sense of purpose and strength, as we embark on a \$37 million investment in electricity, water and sewerage infrastructure in the Far West region in 2005-2006.

Country Energy is committed to providing job security and retaining a strong regional presence. Our employees live and work right across the Far West region, and their local knowledge helps the business to make decisions that reflect local priorities.

Finally and most importantly, we thank all Australian Inland employees for their dedication to the company's success and their willingness to embrace a new future with Country Energy.



Barbara Ward
Chairman of the Board



Craig Murray
Managing Director

Company profile

Australian Inland provides electricity services to around 20,000 customers across 55,000 square kilometres of far west New South Wales – from Tibooburra to the north, Silverton to the west, Menindee and Wilcannia to the east and Wentworth and Balranald to the south.

Australian Inland provides water and sewerage services to around 10,000 customers. Water operations centre on Broken Hill and include Silverton, Menindee and Sunset Strip, Umberumberka and Stephens Creek reservoirs and the Menindee to Stephens Creek pipeline.

Australian Inland's product range also includes bottled gas in Broken Hill and internet services across the far west.

Electricity network

- 49,000 power poles
- 3,182 street lights
- 12 zone substations
- 2,986 distribution substations
- 7,858 kilometres of high voltage powerlines
- 583 kilometres of low voltage powerlines

Water network

- 11 service tanks
- two reservoirs
- one emergency dam supply
- seven water pumping stations
- two water treatment plants
- 577 kilometres of water and sewerage mains
- two sewerage treatment plants
- 11 sewerage pumping stations

At 30 June 2005, Australian Inland had 244 employees on a 'full time equivalent' basis. From 1 July 2005, Australian Inland will fully merge with Country Energy to form a business with around 3,300 employees, and operating a power supply network covering 95 per cent of New South Wales' land mass.

The year in review

Safety performance

A sustained focus on safety has resulted in our lost time injury frequency rate reducing from 2.42 last year to 1.98 into 2004-2005. This was achieved by:

- Making safety the top priority
- Reviewing worksite operating procedures
- Continuing to improve hazard identification and risk management processes.

LOST TIME INJURY FREQUENCY RATE (LTIFR) PER MILLION HOURS WORKED

| 2002-2003 | 2003-2004 | 2004-2005 |
|-----------|-----------|-----------|
| 9.73 | 2.42 | 1.98 |

Apprenticeships and traineeships

Ten new apprentices, one cadet and three trainees commenced in field services, information services, customer service and administration roles during the year. These positions help retain locally-based, qualified skills in regional communities, and created long-term employment and career opportunities for local people.

Community support

In addition to our employment initiatives, Australian Inland supported more than 40 local charity organisations and events through a community sponsorship program.

Infrastructure investment

Electricity

During 2004-2005, Australian Inland invested around \$8 million in the water and electricity networks to meet future capacity requirements, improve supply reliability and enhance service levels. Examples of capital works programs that were commenced or completed include:

- Bella Vista horticulture development – \$320,000
– Upgrade of powerlines and installation of new substation

- Westside Plaza commercial development – \$250,000
– Installation of additional 1000kVA substation
- Air break switch replacement program – \$146,000
– Replacement of open air break switches with enclosed gas switches in Broken Hill to reduce incidence of bird strikes causing momentary supply interruptions
- Balranald high voltage line upgrade – \$131,000
– Construction of alternative 22 kilovolt three-phase feeder
- Gol Gol high voltage line upgrade – \$133,000
– Construction of 22 kilovolt three-phase bypass feeder
- Insulated cable upgrade program – \$200,000
– Replace open low voltage mains with bundled insulated cable (ABC) at various locations across the region
- Circuit breaker upgrade program – \$90,000
– Upgrade of safety protection equipment (recloser) equipment
- Streetlight upgrade and replacement program, Broken Hill – \$40,000
- Customer meter replacement program – \$160,000.

A major project materialised late in the reporting year and involved a mineral sands development by Bemax Resources. A new mine south of Broken Hill, and west of Pooncarie, required the design and construction of 124 kilometres of 66 kilovolt overhead line, a new 66/22 kilovolt substation at the Ginkgo mine site and modifications to Australian Inland's Dareton zone substation. In addition, 22 kilovolt supply is required for a Mineral Separation Plant on the outskirts of Broken Hill. Work commenced in June 2005 and is expected to be completed in December 2005.

Water

Australian Inland delivered more than 4,800 megalitres of high quality drinking water to customers' taps, while 1,354 megalitres of sewage were delivered to sewerage treatment plants. Up to 70 per cent of sewage was recycled for reuse on parks, ovals and golf courses. Major water and sewer investments included:

- Sunset Strip Water Treatment Plant upgrade – \$287,000
– Required to treat and supply potable water to Sunset Strip residents

- Water mains renewal program – \$400,000
- Customer meter replacement program – \$120,000
- Mica Street Water Treatment Plant upgrade – \$14,000
- Initial consultancy phase commenced in 2004-2005
- Sewer vent renewal program – \$65,000
- Sewerage jet vacuum truck – \$442,000.

In addition to investing in new assets, we also invested in repair and maintenance of existing infrastructure to ensure supply reliability and quality. Investments in electricity and water repair and maintenance programs included:

- Water – \$7,347,000
- Sewer – \$1,570,000
- Electricity – \$9,388,000

Environment

In February 2005, Australian Inland achieved a four-star rating in the Australian Building Greenhouse Rating. The rating is due to our ongoing commitment to energy reduction and cost effective upgrades. During the reporting period, buildings were managed and maintained to high energy efficiency and greenhouse gas reduction standards.

Since achieving this rating, Australian Inland has implemented further initiatives including: installing shut-off switches on air conditioning systems; installing timers on all hot water units; installing manual operating switches in the Broken Hill office courtyard; and replacing existing light globes with energy efficient globes.

Throughout the year, raising employee awareness of energy and water efficiency was a major focus and achieved significant results. In addition, we instigated a purchasing policy to ensure all office equipment met the highest energy efficiency standards. We also upgraded our approach to ensuring all copy paper was recycled.

Pricing determinations

In July 2004, Australian Inland introduced a regulated retail and network price change for all electricity customers. All of the changes were within specific limits set by the Independent Pricing and Regulatory Tribunal (IPART) in June 2004. From July 2004, these determinations allowed for modest network price increases for five years, and regulated retail electricity price increases for three years. The price changes will help Australian Inland continue to deliver safe and reliable power supplies.

Pricing for water and sewerage services for 2004-2005 was approved by the Minister for Energy, Utilities and Sustainability.

Awards and agreements

During the year, Australian Inland consolidated five awards and agreements covering employees into two documents – the *Electrical Trades Union Industrial Enterprise Award 2004* and *Australian Inland Consent Award 2004*. This was carried out in an environment of co-operation and involved no industrial action.

The Board

The former Board of Australian Inland met on three occasions during 2004-2005.

Marion Browne *BA (Hons) Dip Ed*

Chairman

Term of appointment:

29 February 2004 to 5 November 2004

Meetings attended: 3

Joe Flynn *BEng, MBA*

Director and Managing Director, Australian Inland

Term of appointment:

4 September 2001 to 5 November 2004

Meetings attended: 3

Paul Keady *BLegS/be BLegS*

Term of appointment:

29 February 2004 to 5 November 2004

Meetings attended: 2

Frank Murphy

Term of appointment:

29 February 2004 to 5 November 2004

Meetings attended: 3

Earle Phillips

Trades and Labour Council nominee

Term of appointment:

2 August 2004 to 5 November 2004

Meetings attended: 2

Thomas Stanley Dineen

Term of appointment:

12 November 2002 to 5 November 2004

Meetings attended: 3

Matthew Tiddy

Term of appointment:

1 March 2002 to 5 November 2004

Meetings attended: 3

Ted Woodley *BSc, BE (Hons1), CDC, FAIM, FAICD, FIEAust, FAIE, CPEng*

Term of appointment:

12 November 2002 to 5 November 2004

Meetings attended: 3

Executive

Joe Flynn *BEng, MBA*

Managing Director

Kevin Sweeney

Interim Chief Operating Officer, Australian Inland

Brian Steffen

Interim Chief Operating Officer

General Manager Water, Australian Inland

Guy Chick

Acting Chief Operating Officer, Australian Inland

Colin Cowdrey *BA Acc*

Acting Chief Financial Officer

Linda Heane *BBus Com*

General Manager Risk and Compliance

Phil Lane

General Manager Corporate Development and Technology

Phil Maw *CivEng Cert*

General Manager Network Services

Clint McCully

Manager Retail

Keven Semple

General Manager Human Resources

Ray Thorn *BBus, ElecEng Cert*

Acting General Manager Network Assets

Chris Dalitz *BE(Elect.), Grad. Dip. Mgt., Assoc. Dip.*

Local Museum Studies, ME (Energy Policy & Planning),

SMIEAust, CPEng. NPER

General Manager Network Assets

Interim Board

The former Australian Inland Board was replaced by an interim Australian Inland Board on 5 November 2004, following the announcement of the Country Energy and Australian Inland merger.

Barbara Ward

Chairman

Craig Murray

Director and Managing Director, Country Energy

Michael Lee

Rowena Sylvester

Corporate Governance

Establishment

Australian Inland is the trading name of Australian Inland Energy Water Infrastructure, a Statutory State Owned Corporation (SOC) established by the *Energy Services Corporations Act 1995*. The principal legislative instruments controlling Australian Inland's operations are the *Electricity Supply Act 1995* and the *Water Management Act 2000*.

Shareholders

In accordance with the provisions of the *State Owned Corporations Act 1989* and the *Energy Services Corporations Act 1995*, Australian Inland has two shareholders each holding one share of \$1. The shareholders are the New South Wales Treasurer and the New South Wales Special Minister of State. Shares in an energy services corporation may not be sold or otherwise disposed of, except to eligible Ministers.

Board of directors

Directors are appointed for renewable fixed terms by the voting shareholders, with remuneration set by the voting shareholders in consultation with the Statutory and Other Officers Remuneration Tribunal. The Board is accountable to the voting shareholders in the manner set out in Part 4 of the *State Owned Corporations Act 1989* and the Constitution of Australian Inland Energy Water Infrastructure.

Board committees

The Board established three committees comprising directors and, where appropriate, members of the executive.

- Audit committee to monitor the adequacy and effectiveness of the financial and administrative control of the organisation's operations.
- Governance committee to develop best practice in governance procedures, ethical standards and operational policies, and review remuneration of senior officers.
- Risk committee to ensure the effective identification, analysis and treatment of the risks faced by the organisation and monitor compliance with statutory and regulatory requirements.

Ethical standards

Australian Inland's Ethical Standards Policy and Code of Conduct detail the standards which each director, manager and employee is required to observe. The requirements of these ethical standards were communicated to all employees. The standards address professional conduct, and dealing with: customers; suppliers; advisors and regulators; competitors; the community; and other employees.

Risk management and insurance

Potential risks to the business, our customers, the community and the environment were identified, reviewed, and documented by Australian Inland. Corporate risks were reported to management and the Board and controls are in place to mitigate or eliminate risks.

To minimise exposure to financial loss, Australian Inland held a number of insurance policies with appropriate cover and deductibles. We contribute to the electricity industry group liability and fire insurance program, which undertakes insurance on behalf of the industry.

Freedom of information

No requests for information under the *Freedom of Information Act 1989* were received during 2004-2005, compared to four requests received during 2003-2004.

Privacy

Australian Inland's privacy policy is operational and posted on the company website. There were no significant privacy issues raised during the year.

Overseas visits

There were no overseas visits undertaken during 2004-2005.

Equal employment opportunity

We remain committed to reflecting the cultural and gender diversity of our customer base. These principles are embedded in our Equal Employment Opportunity policy and Code of Conduct.

Trends in the representation of Equal Employment Opportunity (EEO) groups

| EEO GROUP | PERCENTAGE OF TOTAL EMPLOYEES | | | | | |
|---|-------------------------------|-------------|-------------|------|------|------|
| | BENCHMARK OR TARGET | 2001 | 2002 | 2003 | 2004 | 2005 |
| <i>Women</i> | 50 | 14 | <i>n.a.</i> | 16 | 19 | 18 |
| <i>Aboriginal people and Torres Strait Islanders</i> | 2 | <i>n.a.</i> | <i>n.a.</i> | 2 | 2.9 | 2.7 |
| <i>people whose first language was not english</i> | 20 | 1 | <i>n.a.</i> | 4 | 3 | 3 |
| <i>people with a disability</i> | 12 | 6 | <i>n.a.</i> | 10 | 10 | 10 |
| <i>people with a disability requiring work-related adjustment</i> | 7 | <i>n.a.</i> | <i>n.a.</i> | 2 | 2.2 | 1.8 |

Trends in the distribution of Equal Employment Opportunity (EEO) groups

| EEO GROUP | PERCENTAGE OF TOTAL EMPLOYEES | | | | | |
|---|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| | BENCHMARK OR TARGET | 2001 | 2002 | 2003 | 2004 | 2005 |
| <i>Women</i> | 100 | 92 | <i>n.a.</i> | 83 | 88 | 95 |
| <i>Aboriginal people and Torres Strait Islanders</i> | 100 | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> |
| <i>people whose first language was not english</i> | 100 | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> |
| <i>people with a disability</i> | 100 | <i>n.a.</i> | <i>n.a.</i> | 104 | 108 | 108 |
| <i>people with a disability requiring work-related adjustment</i> | 100 | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> |

Notes relating to EEO tables:

1. Employee number are as at 30 June 2005.
2. Excludes casual employees.
3. A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other employees. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other employees. The more pronounced this tendency the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The distribution index is automatically calculated by the software provided by ODEOPE.
4. The distribution index is not calculated where EEO group or non-EEO group numbers are less than 20.
5. 'n.a.' denotes figures not available.

Workplace diversity

Australian Inland adopted fair and unbiased recruitment and selection processes. Positions were advertised internally, to ensure employees have the opportunity to advance their careers, as well as externally.

Ethnic affairs

Australian Inland respected the principles of cultural diversity, and these principles are outlined in its Ethnic Affairs Priority Statement (EAPS) which encourages and promotes:

- Respect for the diversity of employees, clients and the community in developing and implementing policies and procedures
- Making decisions without bias
- Identifying the cultural demographics of the community
- Promoting the EAPS to employees through induction and training.

Executive remuneration

Eleven executive officers had total remuneration packages equal to or exceeding the New South Wales Senior Executive Service Level 1.

Only one executive officer received a total remuneration package equal to or exceeding New South Wales Senior Executive Service Level 5 – Managing Director, Joe Flynn (\$258,350).

Trends in employment

| | 2002-2003 | 2003-2004 | 2004-2005 |
|--------------------------|-----------|-----------|-----------|
| Permanent | 205 | 210 | 208 |
| Part-time | 7 | 7 | 5 |
| Temporary | 8 | 13 | 4 |
| Casual | 12 | 10 | 13 |
| Apprentices/ Trainees | 10 | 11 | 27 |

Financial report contents

| PAGE NO. | DESCRIPTION |
|----------|---|
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| 11 | Independent Audit Report |
| 12 | Statement of Financial Performance |
| 13 | Statement of Financial Position |
| 14 | Statement of Cash Flows |
| 15 | Notes to and Forming Part of the Financial Statements |

Australian Inland Energy Water Infrastructure

**Statement by the Members of the Board
for the year ended 30 June 2005**

Pursuant to Section 41 of the Public Finance and Audit Act 1983 we state that:

1. The accompanying financial statements are a general purpose financial report which have been prepared in accordance with the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000, the State Owned Corporation Act 1989, applicable Accounting Standards and other mandatory professional reporting requirements.
2. The accompanying financial statements exhibit a true and fair view of the financial position of Australian Inland Energy Water Infrastructure (Australian Inland) as at 30 June 2005 and of the profit and cash flows of the corporation for the year ended 30 June 2005.
3. At the date of this statement, there are reasonable grounds to believe that Australian Inland Energy Water Infrastructure (Australian Inland) will be able to pay its debts as and when they become due and payable.
4. We are not aware of any circumstances which would render any particulars included in these statements to be misleading or inaccurate.

Signed in accordance with a resolution of Directors.



Barbara Ward
Chairman

6/10/2005
Dated



Craig Murray
Director

6/10/2005
Dated



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT
AUSTRALIAN INLAND ENERGY WATER INFRASTRUCTURE

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Australian Inland Energy Water Infrastructure:

- (a) presents fairly the Corporation's financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

The Board's Role

The financial report is the responsibility of the members of the Board of Australian Inland Energy Water Infrastructure. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Corporation,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.


R. Hegarty FCA
Director, Financial Audit Services

SYDNEY
28 October 2005

Australian Inland Energy Water Infrastructure
Statement of Financial Performance
for the year ended 30 June 2005

| | Notes | 2005 \$'000 | 2004 \$'000 |
|---|------------|-----------------|-----------------|
| Revenue from ordinary activities | 3.1 | 63,582 | 61,789 |
| Expenses from Ordinary Activities | | | |
| Cost of Sales | 3.2 | (24,093) | (26,670) |
| Operations and Maintenance | | (26,523) | (24,078) |
| Administration and Management | | (32,425) | (11,035) |
| | | (83,041) | (61,782) |
| Profit/(Loss) from ordinary activities before income tax expense | | (19,459) | 7 |
| Income Tax Credit | 18 | 6,194 | 456 |
| Profit/(Loss) from ordinary activities after income tax expense | | (13,265) | 463 |
| Net profit/(loss) | | (13,265) | 463 |
| Net increase / (decrease) in asset revaluation reserve | 11(c) | (62,892) | (51) |
| Contribution by Owners | 11(b) | - | 5,500 |
| Total changes in equity other than those resulting from transactions with owners as owners | | (76,157) | 5,912 |

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

Australian Inland Energy Water Infrastructure
Statement of Financial Position
as at 30 June 2005

| | Notes | 2005 \$'000 | 2004 \$'000 |
|--------------------------------------|--------|----------------|----------------|
| CURRENT ASSETS | | | |
| Cash Assets | 17(a) | 3,502 | 4,230 |
| Receivables | 5 | 11,501 | 10,924 |
| Inventories | 6 | 2,195 | 2,503 |
| Other | 4 | 5,075 | 3,814 |
| TOTAL CURRENT ASSETS | | 22,273 | 21,471 |
| NON-CURRENT ASSETS | | | |
| Receivables | 5 | - | 149 |
| Inventories | 6 | 570 | 589 |
| Other Financial Assets | 22 | 10,086 | 10,096 |
| Property, Plant and Equipment | 7 | 47,098 | 128,522 |
| Deferred Tax Assets | 19 | 8,880 | 2,767 |
| TOTAL NON-CURRENT ASSETS | | 66,634 | 142,123 |
| TOTAL ASSETS | | 88,907 | 163,594 |
| CURRENT LIABILITIES | | | |
| Payables | 10 | 6,626 | 7,067 |
| Current Tax Liabilities | 20 | 248 | - |
| Provisions | 9 | 4,271 | 3,293 |
| TOTAL CURRENT LIABILITIES | | 11,145 | 10,360 |
| NON-CURRENT LIABILITIES | | | |
| Payables | 10 | 182 | 215 |
| Deferred Tax Liabilities | 20 | 4,096 | 4,671 |
| Provisions | 9 | 6,280 | 5,135 |
| TOTAL NON-CURRENT LIABILITIES | | 10,558 | 10,021 |
| TOTAL LIABILITIES | | 21,703 | 20,381 |
| NET ASSETS | | 67,204 | 143,213 |
| EQUITY | | | |
| Contributed Equity | 11 (a) | 34,922 | 34,922 |
| Asset Revaluation Reserve | 11 (c) | - | 62,892 |
| Retained Profits | 11 (b) | 32,282 | 45,399 |
| TOTAL EQUITY | | 67,204 | 143,213 |

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

Australian Inland Energy Water Infrastructure
Statement of Cash Flows
for the year ended 30 June 2005

| | | 2005 \$'000 Inflows/ (Outflows) | 2004 \$'000 Inflows/ (Outflows) |
|--|--------------|--|--|
| | Notes | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of GST) | | 55,081 | 60,227 |
| Payments to suppliers and employees (inclusive of GST) | | (56,905) | (60,321) |
| Interest received | | 825 | 756 |
| Interest paid | | - | - |
| Net Income taxes refunded / (paid) | | 458 | (410) |
| GST receipts from/(payments to) the ATO | | (217) | 270 |
| Government funded operating subsidy | | 7,319 | 7,620 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 17(d) | 6,561 | 8,142 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for purchase/construction of property, plant and equipment | 16 | (7,347) | (9,773) |
| Proceeds from sales of property, plant and equipment | | 58 | 183 |
| Purchase of Investments | | - | 11 |
| NET CASH USED IN INVESTING ACTIVITIES | | (7,289) | (9,579) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | - | - |
| Repayment of Loans | | - | - |
| NET CASH USED IN FINANCING ACTIVITIES | | - | - |
| NET INCREASE/(DECREASE) IN CASH HELD | | (728) | (1,437) |
| CASH ASSETS AT THE BEGINNING OF THE FINANCIAL YEAR | | 4,230 | 5,667 |
| CASH ASSETS AT THE END OF THE FINANCIAL YEAR | 17(a) | 3,502 | 4,230 |

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

Australian Inland Energy Water Infrastructure

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Australian Inland Energy Water Infrastructure (Australian Inland) is responsible for electricity distribution in Broken Hill, Wentworth, Balranald, Menindee, Wilcannia, White Cliffs, Tibooburra, the south west area and the unincorporated area (areas beyond Local Government boundaries) in far west New South Wales. It is also responsible for water supply in Broken Hill, Silverton and Menindee and sewer services in Broken Hill.

This general purpose financial report has been presented in accordance with Accounting Standards, the Public Finance and Audit Act 1983, the State Owned Corporations Act 1989, Public Finance and Audit Regulations 2000 and Urgent Issues Group Consensus Views.

It is prepared on a full accrual accounting basis and according to the historical cost convention with the exception of some non-current physical assets.

On 1 July 2005, pursuant to section 84 of the Electricity Supply Act 1995, the boundaries of Country Energy were altered to include the distribution of the former Australian Inland.

Also on that date, pursuant to section 14 of the Energy Services Corporations Act 1995, the State Owned Corporation of Australian Inland was removed from Schedule 5 of the State Owned Corporations Act 1989. This resulted in the dissolution of that corporation. Also from that date, Country Energy replaced Australian Inland as the State Owned Corporation listed as a water supply authority under Part 3 of Schedule 3 of the Water Management Act 2000.

As a result of these administrative changes to Australian Inland, the basis of the preparation of the financial report changed and has been performed in accordance with NSW Treasury Circular TC 01/11 Contributions by Owners made to Wholly-Owned Public Sector Entities and advice from Treasury. The material impacts on the statement of financial performance and position are detailed as follows:

| | Note | Impact \$'000 |
|--------------------------------------|-------|------------------|
| Write down of water and sewer assets | 3.2 | 17,559 |
| Depreciation expense | 3.2 | 1,640 |
| | | 19,199 |
| Bad & doubtful debts - trade debtors | 3.2 | 1,066 |
| Other expenses | 3.2 | 1,795 |
| Income tax credit | 18 | (5,267) |
| Asset revaluation reserve | 11(c) | 62,745 |

With the dissolution of Australian Inland on 1 July 2005, the entity will not transition to AIFRS. Accordingly, the balances to be transferred and the subsequent re-measurement of these balances under AIFRS will be the responsibility of Country Energy. Note 1.15 details the responsibility of the management of the transition to AIFRS by Country Energy and any known quantification of reliably estimable information of Australian Inland that would be material to Country Energy.

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease, or where it is likely that the entity will obtain ownership of the asset, the life of the asset.

Other operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

1.2 Property, Plant and Equipment

Property, plant and equipment, other than buildings, electricity subtransmission and distribution, water and sewer infrastructure assets are carried at historical cost.

At 1 July 2000 upon the application of Accounting Standard *AASB 1041 Revaluation of Non-Current Assets*, the entity elected to revert to deemed cost for classes of assets previously carried at revalued amounts. During the year a revised Treasury policy and guidelines *Valuation of Physical Non-Current Assets at Fair Value* was issued to apply Accounting Standard *AASB 1041 Revaluation of Non-Current Assets* to the New South Wales public sector for the years ending on or after 30 June 2004.

Under the revised Treasury policy and guidelines, the entity is considered to be a transitional entity, and as such has continued to adopt deemed cost for the infrastructure asset class. As a result, the entity only apply the recoverable amount test to its cash generating assets, which is the electricity subtransmission and distribution infrastructure assets.

The carrying value of electricity subtransmission and distribution infrastructure assets are reviewed to determine that they are not in excess of their recoverable amount. Any decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable write down occurs.

Any gain or loss on the disposal of assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal and is included in the results of the Statement of Financial Performance.

The network system assets and water business assets were valued as at 30 June 2005 by Carnegie, Wylie & Company (CWC) using a "Discounted Cash Flow" (DCF) Methodology.

The carrying value of the network system assets at balance date are supported by the independent valuation.

The water business assets in the opinion of Carnegie, Wylie & Company did not support the carrying value of the asset at balance date. In addition NSW Treasury had further confirmed that the water business assets be written down to \$nil. Accordingly the water business assets were written down to \$nil with \$62.756 million taken from the Asset Revaluation Reserve and the balance of \$17.559 million to the Statement of Financial Performance (before tax).

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Property, Plant and Equipment (continued)

Assets other than freehold land are depreciated at rates based upon their expected useful lives, using the straight line method. Costs of renewal and replacement of non subtransmission and distribution assets, valued at less than \$300 are charged directly against revenue.

The expected useful lives are as follows:

| | |
|---------------------------------------|-------------|
| Buildings | 40 years |
| Plant and equipment | 7-10 years |
| Computer equipment | 4 years |
| Electricity network assets | 20-45 years |
| Water and sewer infrastructure assets | 25-80 years |

The cost of property, plant and equipment constructed by the entity includes the cost of materials, direct labour and an appropriate proportion of overheads.

Contributions from owners are accounted for in accordance with Treasury Circular 01/11.

1.3 Inventories

Inventories have been valued at the lower of cost and net realisable value. Cost is determined using the rolling average purchase price of each item, and comprises the cost of purchase including the cost of bringing the inventories to their appropriate location.

Items held as capital spares not used for greater than 12 months are classified as non-current.

1.4 Employee Benefits

a) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and sick leave are recognised, and are measured at the amounts expected to be paid when the liabilities are settled.

b) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (a) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

c) Superannuation

A liability or asset in respect of defined benefit superannuation is recognised in the provision for employee benefits, and is measured as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation fund's assets at that date. The present value of accrued benefits is based on expected future payments which arise from membership of the fund to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the entity to the superannuation fund, adjusted by the movement in the liability or asset.

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

d) Employee benefits on-costs

Employee benefits on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

1.5 Electricity Purchases

Wholesale market contracts have been entered into with electricity market counterparties to manage the risk associated with fluctuations in the purchase price of electricity from the National Electricity Market (NEM). It is the policy of the entity to manage its exposure in line with forecast retail exposures over the following 3 years. In doing so, the entity has entered into various electricity contracts.

Uncontracted positions expose the entity to pool price variation. The entity's risk management policy is to limit exposure and consequent price risk to within Policy prescribed limits.

As these contracts can be settled other than by physical delivery of the underlying commodity, they are classified as financial instruments. The entity has entered into electricity options and load nomination contracts which have not been valued as at 30 June 2005 as a reliable and generally accepted valuation methodology is not currently available and the value is not considered material.

1.6 Insurance

The entity's share of premium paid to the New South Wales Electricity Authorities Group Liability Insurance Program for 2005 was \$492,215 (2004: \$366,987).

1.7 Rounding of Amounts

Figures presented in tabular form are rounded to the nearest thousand dollars (ie. \$'000), however where an amount is quoted within text it is rounded to the nearest whole dollar.

1.8 Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the Statement of Financial Performance is matched with the accounting profit after allowing for permanent differences. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

1.9 Cash

For the purpose of the statement of cash flows, cash includes deposits at call which are readily converted to cash on hand and are subject to an insignificant risk of change in value.

1.10 Investments

Interest income is recognised as revenue in the Statement of Financial Performance as it is earned.

1.11 Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days after recognition. Long term debtors income is brought to account as revenue and is paid over the period of the agreement. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised

Electricity Usage Charges:

When usage readings are taken plus revenue from meters unread at 30 June.

Water Usage Charges:

When customers are billed.

Water/Electricity/Sewerage Access Charges:

As services are made available and billed quarterly.

1.13 Trade and Other Creditors

These amounts represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1.14 Maintenance and Repairs

Routine operating maintenance, repair and minor renewal costs are charged as expenses as incurred.

1.15 International Accounting Standards

As set out in Note 1, the dissolution of the Australian Inland on 1 July 2005 will result in AI not transitioning to AIFRS. Accordingly, the balances to be transferred and the subsequent re-measurement of these balances under AIFRS will be the responsibility of Country Energy.

(i) Management of the transition:

Country Energy have engaged external consultants to analyse the standards and Urgent Issue Group Interpretations to identify key areas regarding policy, procedures, systems and financial impacts affected by the transition.

A project plan has been prepared by Country Energy. The plan identifies the steps required to design and implement the necessary processes, procedures and policies to achieve transition.

The Audit and Risk Committee of Country Energy is overseeing the transition. The Group General Manager, Finance and Business Development of Country Energy is responsible for the project and reports regularly to the Committee on progress to plan.

(ii) Impact on the adoption of Australian equivalents IFRS:

The differences between AGAAP and AIFRS on AI's balances have been identified and quantified based on Country Energy and Australian Inland management's best estimate, knowledge of expected standards and interpretations and current facts and circumstances. It is anticipated that the impact of AIFRS on AI's balances would not materially impact Country Energy's financial statements.

Note 2. SEGMENT INFORMATION

Business Segments

Australian Inland contains the following segment divisions by product type.

Electricity

Includes network distribution activities relating to the planning, maintenance, operation, construction and augmentation of electricity reticulation assets from bulk supply purchase points to customers meters. It also includes electricity retail activities and customer services.

Water

Responsible for planning system maintenance, system operation, system construction and the augmentation of water reticulation assets, meter reading and community service obligations.

Sewerage

Planning system maintenance, system operation, system construction and augmentation of sewer collection and treatment assets and community service obligations.

Other

Is represented by business development, its focus being to identify, develop or pursue business opportunities that will contribute to the employment and economic growth prospects of the region, internet trading and service operations of PcPronet, and from 1 July 2002, other general unallocated activities. None of these activities constitutes a separately reportable segment.

Australian Inland Energy Water Infrastructure

Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2005

Note 2. SEGMENT INFORMATION (continued)

| | Electricity \$'000 | Water \$'000 | Sewerage \$'000 | Other \$'000 | Inter-segment Eliminations \$'000 | Consolidated \$'000 |
|--|-----------------------|-----------------|--------------------|-----------------|---|------------------------|
| 2005 | | | | | | |
| Sales to external customers | 37,346 | 8,958 | 2,449 | - | | 48,753 |
| Intersegment sales (note (b)) | 1,676 | 7 | 3 | - | (1,686) | - |
| Total sales revenue | 39,022 | 8,965 | 2,452 | - | (1,686) | 48,753 |
| Other revenue | 11,299 | 3,347 | 183 | - | - | 14,829 |
| Total segment revenue | 50,321 | 12,312 | 2,635 | - | (1,686) | 63,582 |
| Segment result | (1,976) | (14,485) | (2,998) | | - | (19,459) |
| Unallocated revenue less unallocated expenses | | | | | | - |
| Profit from ordinary activities before income tax credit/ (expense) | | | | | | (19,459) |
| Income tax credit | | | | | | 6,194 |
| Profit from ordinary activities after income tax credit/ (expense) | | | | | | (13,265) |
| Net Profit | | | | | | (13,265) |
| Segment assets | 76,638 | 5,119 | 2,985 | (2,298) | | 82,444 |
| Unallocated assets | | | | | | 6,463 |
| Total assets | | | | | | 88,907 |
| Segment liabilities | (12,612) | (2,094) | (272) | (262) | | (15,240) |
| Unallocated liabilities | | | | | | (6,463) |
| Total liabilities | | | | | | (21,703) |
| Acquisitions of property, plant and equipment, intangibles and other non current segment assets | 5,108 | 2,131 | 704 | 1,753 | - | 9,696 |
| Unallocated acquisitions | | | | | | (2,349) |
| Total acquisitions | | | | | | 7,347 |
| Depreciation expense | 3,655 | 2,155 | 778 | 1,642 | - | 8,230 |
| Other non cash expenses | 1,762 | 711 | 327 | - | - | 2,800 |
| Net cash inflow/(outflow) from operating activities | 6,799 | 692 | 515 | (1,245) | - | 6,761 |
| Unallocated cash flow | | | | | | (200) |
| Total net cash inflow/(outflow) from operating activities | | | | | | 6,561 |

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 2. SEGMENT INFORMATION (continued)

| | Electricity \$'000 | Water \$'000 | Sewerage \$'000 | Other \$'000 | Inter-segment Eliminations \$'000 | Consolidated \$'000 |
|---|-----------------------|-----------------|--------------------|-----------------|---|------------------------|
| 2004 | | | | | | |
| Sales to external customers | 37,752 | 8,112 | 2,580 | - | - | 48,444 |
| Intersegment sales (note (b)) | 1,170 | 4 | 2 | - | (1,176) | - |
| Total sales revenue | 38,922 | 8,116 | 2,582 | - | (1,176) | 48,444 |
| Other revenue | 9,936 | 3,343 | 66 | - | - | 13,345 |
| Total segment revenue | 48,858 | 11,459 | 2,648 | - | (1,176) | 61,789 |
| Segment result | 112 | (76) | (29) | - | - | 7 |
| Unallocated revenue less unallocated expenses | | | | | | - |
| Profit from ordinary activities before income tax expense | | | | | | 7 |
| Income tax expense | | | | | | 456 |
| Profit from ordinary activities after income tax expense | | | | | | 463 |
| Net Profit | | | | | | 463 |
| Segment assets | 74,078 | 61,880 | 20,396 | 486 | - | 156,840 |
| Unallocated assets | | | | | | 6,755 |
| Total assets | | | | | | 163,595 |
| Segment liabilities | (11,871) | (1,733) | (300) | (1) | - | (13,905) |
| Unallocated liabilities | | | | | | (6,477) |
| Total liabilities | | | | | | (20,382) |
| Acquisitions of property, plant and equipment, intangibles and other non current segment assets | 2,534 | 5,592 | 280 | (121) | - | 8,285 |
| Unallocated acquisitions | | | | | | 945 |
| Total acquisitions | | | | | | 9,230 |
| Depreciation expense | 3,606 | 2,191 | 778 | 2 | - | 6,577 |
| Other non cash expenses | 1,310 | 293 | (23) | - | - | 1,580 |
| Net cash inflow/(outflow) from operating activities | (315) | 5,092 | 569 | (7) | - | 5,339 |
| Unallocated cash flow | | | | | | 2,803 |
| Total net cash inflow/(outflow) from operating activities | | | | | | 8,142 |

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 2. SEGMENT INFORMATION (continued)

Notes to and forming part of the segment information

a) Accounting policies

Segment information is prepared in conformity with the accounting policies of Australian Inland as disclosed in note 2 and accounting standard, *AASB 1005 Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables and property, plant and equipment, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amount of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, and employee provisions.

b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced at an "arm's-length" basis and are eliminated on consolidation.

Note 3. REVENUE AND EXPENDITURE ITEMS

3.1 Revenue

| | 2005 \$'000 | 2004 \$'000 |
|--|----------------|----------------|
| Revenue from outside operating activities | | |
| Electricity sales | 37,346 | 37,752 |
| Water rates and charges | 8,958 | 8,112 |
| Sewer services | 2,449 | 2,580 |
| | 48,753 | 48,444 |
| Revenue from outside the operating activities | | |
| Interest | 909 | 843 |
| Sales of non current assets | 500 | 270 |
| Other | 4,659 | 2,890 |
| Operating subsidies | 7,319 | 7,620 |
| Capital contributions | 1,442 | 1,722 |
| | 14,829 | 13,345 |
| Revenue from ordinary activities | 63,582 | 61,789 |

Note 3. REVENUE AND EXPENDITURE ITEMS (continued)

3.2 Profit from ordinary activities

Net gains and expenses

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| Net gains | | |
| Prepaid employer contributions - defined benefits Superannuation Fund | 1,363 | 1,643 |
| Expenses | | |
| Cost of sales - purchase of electricity | 24,093 | 26,670 |
| Depreciation - buildings | 264 | 246 |
| Depreciation - plant and equipment | 7,966 | 6,331 |
| Bad and doubtful debts - trade debtors | 1,066 | 7 |
| Provision/(writeback) for doubtful debts - trade debtors | - | 110 |
| Written down value of disposed property, plant and equipment | 678 | 132 |
| Write down of water and sewer assets | 17,559 | - |
| Other expenses | 31,415 | 28,286 |
| | 83,041 | 61,782 |

3.3 Grants and Subsidies

Water

A subsidy of \$2 million was received from the NSW Treasury (2004: \$2.3m) relating to the water segment.

Electricity

A subsidy of \$5.3 million is received annually from the NSW Treasury (2004: \$5.3m) relating to the electricity segment.

3.4 Interest Expense

There was no interest expense on loans from T-Corp (2004 Nil).

3.5 Depreciation Expense

Depreciation has been calculated on a straight line basis over the estimated useful life of the fixed asset.

Additions for the current year have been depreciated for an average of 6 months.

The electricity subtransmission and distribution assets, water and sewer infrastructure assets are depreciated based on remaining life, in accordance with industry guidelines. Land is not depreciated. The depreciation expense is as shown below.

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| Depreciation expense per Statement of Financial Performance | 8,230 | 6,577 |

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 3. REVENUE AND EXPENDITURE ITEMS (continued)

3.6 Capital Contributions

Capital contributions were charged where extensions were required to the electricity and water reticulation and sewer collection systems to connect customers or in the case of electricity where customers sought to increase the load beyond which the existing mains were able to supply.

Where there were no benefits to other customers, the customer paid full costs associated with that connection or upgrading of load supply.

Total capital contributions recognised during the year were \$1,441,749 (2004: \$1,722,357).

Note 4. OTHER

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| Current | | |
| Sundry prepayments | 259 | 361 |
| Prepaid employee superannuation contributions | 4,816 | 3,453 |
| | 5,075 | 3,814 |

Note 5. RECEIVABLES

| | 2005 \$'000 | 2004 \$'000 |
|--------------------------------------|----------------|----------------|
| Current | | |
| Electricity, water and sewer debtors | 6,998 | 5,870 |
| Provision for doubtful debts | (1,376) | (1,065) |
| | 5,622 | 4,805 |
| Estimated revenue from unread meters | 2,713 | 2,491 |
| Other debtors | 3,224 | 3,648 |
| Provision for doubtful debts | (58) | (20) |
| | 3,166 | 3,628 |
| Total | 11,501 | 10,924 |
| Non-Current | | |
| Other debtors | - | 149 |

Note 6. INVENTORIES

The majority of Australian Inland's inventories are held for distribution works. Inventories are maintained on a cyclical stocktake, a complete stocktake was carried out during the course of the year.

| | 2005 \$'000 | 2004 \$'000 |
|--------------------|----------------|----------------|
| Current | | |
| Inventories | 2,195 | 2,503 |
| Non-Current | | |
| Inventories | 570 | 589 |

Note 7. PROPERTY, PLANT AND EQUIPMENT

| System Plant and Equipment | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| <i>Electricity Sub-Transmission & Distribution System</i> | | |
| At Cost / Deemed Cost | 50,724 | 47,620 |
| Accumulated Depreciation | (15,216) | (13,215) |
| Total | 35,508 | 34,405 |
| <i>Water and Sewer Infrastructure Assets</i> | | |
| At Cost / Deemed Cost | 92,180 | 86,810 |
| Accumulated Depreciation/write down | (92,180) | (15,918) |
| Total | - | 70,892 |
| <i>Assets in the Course of Construction</i> | 2,994 | 7,897 |
| Write down | (2,085) | - |
| Total | 909 | 7,897 |
| Total System Plant and Equipment | 36,417 | 113,194 |
| <i>Freehold Land</i> | | |
| At Cost / Deemed Cost | 661 | 661 |
| Write down | (351) | - |
| Total | 310 | 661 |
| <i>Buildings</i> | | |
| At Cost / Deemed Cost | 9,724 | 9,161 |
| Accumulated Depreciation/write down | (5,261) | (2,420) |
| Total | 4,463 | 6,741 |
| Total Freehold Land and Buildings | 4,773 | 7,402 |
| <i>Plant and Equipment</i> | | |
| At Cost / Deemed Cost | 20,791 | 21,087 |
| Accumulated Depreciation / write down | (14,883) | (13,161) |
| Total Plant and Equipment | 5,908 | 7,926 |
| Total | 47,098 | 128,522 |

Australian Inland Energy Water Infrastructure

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 7. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

| | Freehold land \$'000 | Buildings \$'000 | Plant & Equipment \$'000 | Infrastructure Assets \$'000 | Assets in the Course of Construction \$'000 | Total \$'000 |
|------------------------------------|----------------------------|---------------------|--------------------------------|------------------------------------|--|-----------------|
| Opening Carrying Amount | 661 | 6,741 | 7,926 | 105,297 | 7,897 | 128,522 |
| Additions | - | 5 | 2,865 | (44) | 4,963 | 7,788 |
| Disposals | - | - | (582) | (55) | - | (636) |
| Transfers - WIP | - | 558 | 658 | 8,648 | (9,864) | - |
| Transfer to Inventory | - | - | - | (42) | - | (42) |
| Write down water & sewer assets | (351) | (2,577) | (1,474) | (73,815) | (2,087) | (80,304) |
| Depreciation | | (264) | (3,485) | (4,481) | - | (8,230) |
| Closing Carrying Amount | 310 | 4,463 | 5,908 | 35,508 | 909 | 47,098 |

Assets that are fully depreciated have a cost value of \$7,248,416 (2004: \$8,587,878). The majority of these assets relate to the water assets that have been written down.

Note 8. CHARGE OVER ASSETS

Australian Inland has no liabilities or contingent liabilities which are secured by a charge on the assets of Australian Inland.

Note 9. PROVISIONS

| | 2005 \$'000 | 2004 \$'000 |
|--------------------------------|----------------|----------------|
| Current | | |
| Social program dividends | - | 405 |
| Merger Provisions | 1,081 | - |
| Employee benefits and on-costs | 3,190 | 2,888 |
| | 4,271 | 3,293 |
| Non-Current | | |
| Employee benefits and on-costs | 6,280 | 5,135 |

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 9. PROVISIONS (continued)

| | Current \$'000 | Non-Current \$'000 | Total \$'000 |
|--------------------|-------------------|-----------------------|-----------------|
| Employee benefits: | | | |
| Annual Leave | 2,945 | - | 2,945 |
| Sick Leave | - | 1,989 | 1,989 |
| Long Service Leave | 245 | 4,291 | 4,536 |
| Total | 3,190 | 6,280 | 9,470 |

| | | |
|-------------------------------------|-------------|-------------|
| Employee Numbers: | 2005 | 2004 |
| Number of employees at balance date | 252 | 239 |

Superannuation funds defined benefit schemes

| | 2005 \$'000 | | | | 2004 \$'000 | | | |
|--|----------------|---------|-------|-------|----------------|---------|-------|-------|
| | EISS | SASS | SANCS | SSS | EISS | SASS | SANCS | SSS |
| Estimated reserve account balance | 8,014 | 6,695 | 612 | 159 | 6,429 | 5,922 | 527 | 167 |
| Accrued liability | (6,156) | (3,793) | (548) | (167) | (5,210) | (3,688) | (521) | (173) |
| Surplus/(deficit) | 1,858 | 2,902 | 64 | (8) | 1,219 | 2,234 | 6 | (6) |
| Employer contributions to the funds | 375 | 140 | - | - | 384 | 192 | - | 9 |
| Movements in superannuation liability | - | - | - | - | - | - | - | (6) |
| Defined benefit superannuation expense | 375 | 140 | - | - | 384 | 192 | - | 3 |

The above amounts are measured as at 30 June of each year, or in the case of employer contributions they relate to the years ended 30 June.

The excess of the present value of employees' accrued benefits over assets held to meet future benefit payments is recognised as a liability in accordance with the policy set out in note 1.4.

Note 10. PAYABLES

| | 2005 \$'000 | 2004 \$'000 |
|---------------------|----------------|----------------|
| Current: | | |
| Trade Creditors | 5,250 | 5,361 |
| Other | 1,376 | 1,706 |
| | 6,626 | 7,067 |
| Non-Current: | | |
| Other | 182 | 215 |

Included in 'Other' are deposits from customers, comprising of a current portion of \$40,450 (2004 - \$110,500) and non-current portion of \$182,448 (2004 - \$193,400).

Australian Inland Energy Water Infrastructure

**Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2005**

Note 11. EQUITY

a. Contributed Equity

| | 2005 | 2004 |
|---------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Contributed Equity | 34,922 | 34,922 |

Included in contributed equity is a Share Capital of \$2.00. Shares are held by the Minister for Finance and the Special Minister of State and Assistant Treasurer.

b. Retained Profits

| | 2005 | 2004 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Retained profits at 1 July 2004 | 45,399 | 39,554 |
| Add: Acquisition of Gas Turbine Generators | - | 5,500 |
| Add: Net (loss)/profit for the financial year | (13,264) | 463 |
| Add: Transfer from Asset Revaluation Reserve | 147 | 51 |
| Less: Dividends provided for or paid | - | (169) |
| Retained profits at 30 June 2005 | 32,282 | 45,399 |

In 2004 Gas Turbines valued at \$5.5million were transferred from TransGrid to Australian Inland in accordance with NSW Treasury Directives. The transfer was treated as a contribution from owners.

c. Asset Revaluation Reserve

| | 2005 | 2004 |
|--------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| (i) Movements: | | |
| Balance at 1 July 2004 | 62,892 | 62,943 |
| Less: Transfer to retained profits | (147) | (51) |
| Write down of water and sewer assets | (62,745) | - |
| Balance at 30 June 2005 | - | 62,892 |

(ii) Nature and purpose of reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets in respect of those non-current assets that were previously recorded at valuation.

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 12. EXPENDITURE COMMITMENTS

| | 2005 \$'000 | 2004 \$'000 |
|--|----------------|----------------|
| Capital expenditure commitments | | |
| Capital expenditure contracted for at reporting date but not recognised as liabilities, payable: | | |
| - not later than one year | 315 | 112 |
| Operating leases | | |
| Non-cancellable operating leases contracted for are payable as follows: | | |
| - not later than one year | 104 | - |
| - later than one year but not later than five years | 415 | - |
| - later than five years but not later than ten years | 208 | - |
| | 727 | - |
| Other | | |
| Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the reporting date but not recognised as liabilities, payable: | | |
| - not later than one year | 1,091 | 1,048 |
| - later than one year but not later than five years | 2,171 | 1,290 |
| | 3,262 | 2,338 |
| Commitments for the payment of electricity supply under electricity commodity contracts in existence at the reporting date but not recognised as liabilities, payable: | | |
| - not later than one year | 160 | 914 |
| - later than one year but not later than five years | - | 619 |
| | 160 | 1,533 |

Capital and expenditure commitments disclosed are net of GST.

Note 13. CONTINGENT LIABILITIES

There are no known contingent liabilities that would impact on the state of affairs of the economic entity or have a material effect on these financial statements.

Australian Inland Energy Water Infrastructure

**Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2005**

Note 14. REMUNERATION OF DIRECTORS

| | 2005 | 2004 |
|--|----------------|----------------|
| | \$ | \$ |
| Income paid or payable or otherwise made available, to the directors by the entity and related parties in connection with the management of the affairs of the entity, excluding salaries of full time officers. | 194,874 | 219,393 |

The number of directors whose total income from the entity was within the following specified bands:-

| \$ | 2005 | 2004 |
|-----------------|------|------|
| 10,000 - 19,999 | 9 | 0 |
| 20,000 - 29,999 | 1 | 2 |
| 30,000 - 39,999 | 1 | 4 |
| 50,000 - 59,999 | 0 | 1 |

Note 15. REMUNERATION OF AUDITORS AND CONSULTANTS

| Amounts received or due and receivable by: | 2005 | 2004 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Auditors: | | |
| The Audit Office of New South Wales | 131 | 154 |
| | 108 | 22 |
| | 239 | 176 |

Consultants:

Engagements associated with drought management initiatives, pricing modelling, staff development and business process review.

| | |
|------------|------------|
| 465 | 870 |
|------------|------------|

Note 16. AMOUNTS CHARGED TO CAPITAL EXPENDITURE

During the year \$7,346,936 (2004: \$9,351,714) was spent on capital expenditure for the Broken Hill and Wentworth regions.

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 17. CASH FLOW

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| a. Components of Cash | | |
| Cash on Hand and Cash at Bank | 320 | 168 |
| On Call Deposits | 3,182 | 4,062 |
| | 3,502 | 4,230 |
| b. Non Cash Financing and Investing Activities | | |
| Acquisition of plant and equipment by means of trade-in: | 442 | 87 |
| Acquisition of gas turbine generators (refer note 11(b)) | - | 5,500 |
| | 442 | 5,587 |
| c. | | |
| For the purpose of the Statement of Cash Flows, cash includes cash on hand and investments on call and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. | | |
| d. | | |
| Reconciliation of profit/(loss) from ordinary activities after income tax to net cash inflow from operating activities. | | |
| | 2005 \$'000 | 2004 \$'000 |
| Profit/(loss) from ordinary activities after capital contributions and income tax expense but before dividends | (13,264) | 463 |
| Net loss on sale of property, plant & equipment | 178 | 132 |
| Write down of water and sewer assets | 17,559 | - |
| Social program dividend | (405) | - |
| Depreciation | 8,230 | 6,578 |
| Superannuation surplus | (1,363) | (1,643) |
| Amortisation of premium on investment | 11 | - |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in receivables | (354) | 3,905 |
| Decrease/(increase) in unread meters | (222) | (461) |
| Decrease/(increase) in stores/inventories | 326 | 21 |
| Decrease/(increase) in prepayments | 101 | (36) |
| Decrease/(increase) in future income tax benefits | (6,113) | (367) |
| Increase/(decrease) in provision for income tax payable | 248 | (457) |
| Increase/(decrease) in deferred tax liabilities | (574) | (41) |
| Increase/(decrease) in payables | (372) | (978) |
| Increase/(decrease) in deposits and guarantees | (70) | (61) |
| Increase/(decrease) in long term customer deposits | (33) | - |
| Increase/(decrease) in provisions | 1,081 | - |
| Increase/(decrease) in long term debtors | 149 | (21) |
| Increase/(decrease) in employees benefits provision | 1,448 | 1,108 |
| Net cash inflow from operating activities | 6,561 | 8,142 |

Note 18. PRIMA FACIE TAX RECONCILIATION

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| Profit from ordinary activities before income tax expense | (19,458) | 7 |
| Prima facie tax payable at 30% (2004 - 30%) | (5,838) | 1 |
| Income tax credit | (6,194) | (456) |
| Variation from prima facie tax | (356) | (457) |
| Tax effect of permanent differences:- | | |
| Other depreciation/amortisation | 223 | 164 |
| Capital works deduction | (48) | (48) |
| Superannuation surplus | (1,363) | (1,643) |
| Total | (1,188) | (1,527) |
| Tax effect on the permanent difference at 30% (2004 - 30%) | (356) | (457) |

Australian Inland operates under the national tax equivalent regime (INTER).

Note 19. TAX ASSETS

| | 2005 \$'000 | 2004 \$'000 |
|---------------------------|----------------|----------------|
| Non-Current | | |
| Future Income Tax Benefit | 8,880 | 2,767 |

Note 20. TAX LIABILITIES

| | 2005 \$'000 | 2004 \$'000 |
|--------------------------|----------------|----------------|
| Current | | |
| Tax provision | 248 | - |
| Non-Current | | |
| Deferred tax liabilities | 4,096 | 4,671 |

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 21. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposures

The credit risk on financial assets which have been recognised on the Statement of Financial Position is generally the carrying amount, net of any provision for doubtful debts.

(b) Interest Rate Risk Exposures and Net Fair Values

Australian Inland's exposure to interest rate risk for financial instruments and the aggregate net fair values of financial assets and liabilities at balance date are:

| | Floating Interest | | Fixed Interest Maturing in: Up to 1 year | | Fixed Interest Maturing in: 1 to 5 years | | Non-Interest Bearing | | Carrying Amount | | Aggregate Net Fair Value | |
|------------------------------------|-------------------|---------------|--|----------|--|------------|----------------------|--------------|-----------------|---------------|--------------------------|---------------|
| | \$'000 | | \$'000 | | \$'000 | | \$'000 | | \$'000 | | \$'000 | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Financial Assets | | | | | | | | | | | | |
| Cash | 3,497 | 4,225 | - | - | - | - | 5 | 5 | 3,502 | 4,230 | 3,502 | 4,230 |
| Electricity/Water Debtors | - | - | - | - | - | - | 5,622 | 4,805 | 5,622 | 4,805 | 5,622 | 4,805 |
| Other Debtors | - | - | - | - | - | - | 3,166 | 3,628 | 3,166 | 3,628 | 3,166 | 3,628 |
| Other Financial Assets | 10,086 | 10,096 | - | - | - | - | - | - | 10,086 | 10,096 | 10,086 | 10,096 |
| Long Term Debtors | - | - | - | - | - | 149 | - | - | - | 149 | - | 149 |
| Total Financial Assets | 13,583 | 14,321 | - | - | - | 149 | 8,793 | 8,438 | 22,376 | 22,908 | 22,376 | 22,908 |
| Financial Liabilities | | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | 6,809 | 7,282 | 6,809 | 7,282 | 6,809 | 7,282 |
| Interest bearing liabilities | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Creditors | - | - | - | - | - | - | - | 405 | - | 405 | - | 405 |
| Total Financial Liabilities | - | - | - | - | - | - | 6,809 | 7,687 | 6,809 | 7,687 | 6,809 | 7,687 |
| Net Total | 13,583 | 14,321 | - | - | - | 149 | 1,984 | 751 | 15,567 | 15,221 | 15,567 | 15,221 |

The interest exposure on financial assets are as follows:

| | 2005 | 2004 |
|------------------------|--------------|--------------|
| Cash | 0.05 - 4.15% | 0.05 - 4.80% |
| Other Financial Assets | 4.80 - 6.26% | 4.88 - 5.84% |
| Long Term Debtors | 3.00% | 3.00% |

All carrying values approximate fair value for all recognised financial instruments. The net fair value of financial assets and financial liabilities were assessed upon market prices, where a market exists, or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

No financial assets are carried at values in excess of their net fair value at balance date.

Australian Inland Energy Water Infrastructure

**Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2005**

Note 22. OTHER FINANCIAL ASSETS

Australian Inland holds a floating rate note with Macquarie Bank Limited

| | 2005 \$'000 | 2004 \$'000 |
|--------------------|------------------------------|------------------------------|
| Floating rate note | 10,086 | 10,096 |

Note 23. EXEMPTIONS FROM THE REPORTING PROVISIONS

Approval has been given under delegation from the Treasurer, the Hon. Michael Egan, MLC, to exempt for the year ended 30 June 1999 and subsequent years, Australian Inland Energy Water Infrastructure from the following annual reporting requirements.

| Item | Reference | Comments |
|--|----------------------|----------------------------|
| Budgets | | |
| * Detailed budget for the year reported on | s7(1)(a)(iii) ARSBA* | |
| * Outline budget for next year | s7(1)(a)(iii) ARSBA | |
| * Particulars of material adjustments to detailed budget for the year reported on | CI 6 ARSBR ** | |
| Report of Operations | s7(1)(a)(iv) ARSBA | |
| Summary Review of Operations | | Subject to a condition *** |
| * Narrative summary of significant operations | | |
| * Selected financial and other quantitative information associated with the administration of programs or operations | | |
| Management and Activities | Schedule 1 ARSBR | Subject to a condition *** |
| * Nature and range of activities | | |
| * Measures and indicators of performance | | |
| * Internal and external performance reviews | | |
| * Benefits from management and strategy reviews | | |
| * Management improvement plans and achievements | | |
| * Major problems and issues | | |
| * Major works in progress, cost to date, estimated dates of completion and cost overruns | | |
| * Reasons for significant delays etc to major works or programs | | |
| Research & Development | Schedule 1 ARSBR | |
| * Completed research including resources allocated | | |
| * Continuing research including resources allocated | | |
| * Developmental activities including resources allocated | | |

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2005

Note 23. EXEMPTIONS FROM THE REPORTING PROVISIONS (continued)

| Item | Reference | Comments |
|---|------------------|----------------------------|
| Human Resources | Schedule 1 ARSBR | Subject to a condition *** |
| * Number of employees by category and comparison to prior three years | | |
| * Exceptional movements in employee wages, salaries or allowances | | |
| * Personnel policies and practices | | |
| * Industrial relations policies and practices | | |
| Consultants | Schedule 1 ARSBR | Subject to a condition *** |
| * For each engagement costing greater than \$30,000 (name of consultant, title of project and actual cost) | | |
| * For each engagement costing less than \$30,000 (total number of engagements and total cost) | | |
| * If applicable, a statement that no consultants were engaged | | |
| Budgets | | |
| Land Disposal | | |
| * Properties disposed of during the year (total number and total value) | | |
| * If value greater than \$5,000,000 and not by public auction or tender (list of properties and for each case, name of person who acquired the property and proceeds from disposal) | | |
| * Details of family or business connections between the purchaser and the person responsible for approving the disposal | | |
| * Statement giving reasons for the disposal | | |
| * Purpose/s for which proceeds were used | | |
| * Statement indicating that access to the documents relating to the disposal can be obtained under the Freedom of Information Act | | |
| Consumer Response | Schedule 1 ARSBR | Subject to a condition *** |
| * Extent and main features of complaints | | |
| * Services improved / changed in response to complaints and, or, suggestions | | |
| Payment of Accounts | Schedule 1 ARSBR | |
| * Performance in paying accounts, including action to improve payment performance | | |
| Time for Payment of Accounts | Schedule 1 ARSBR | |
| * Reasons for late payments | | |
| * Interest paid due to late payments | | |

Note 23. EXEMPTIONS FROM THE REPORTING PROVISIONS (continued)

| Item | Reference | Comments |
|--|--------------------|----------------------------|
| Report on Risk Management and Insurance Activities | Schedule 1 ARSBR | Subject to a condition *** |
| Disclosure of Controlled Entities * Details of objectives, operations, activities of controlled entities and measures of performance | Schedule 1 ARSBR | Subject to a condition *** |
| Investment Management Performance | cl 12 ARSBR | |
| Liability Management Performance | cl 13 ARSBR | |
| Financial Statements of Controlled Entities | S7(1)(a)(ia) ARSBA | Subject to a condition *** |

* ARSBA - Annual Reports (Statutory Bodies) Act 1985

** ARSBR - Annual Reports (Statutory Bodies)
Regulation 2001

*** Conditions imposed by Treasury and conveyed to Australian Inland Energy in correspondence dated 11 July 1997.

Note 24. POST BALANCE SHEET EVENT

On 1 July 2005 pursuant to section 84 of the Electricity Supply Act 1995, the boundaries of Country Energy were altered to include the distribution district of the former Australian Inland.

Also on that date, pursuant to section 14 of the Energy Services Corporations Act 1995, the State Owned Corporation of Australian Inland was removed from Schedule 5 of the State Owned Corporations Act 1989. This resulted in the dissolution of that corporation. Also from that date Country Energy replaced Australian Inland as the State Owned Corporation listed as a water supply authority under Part 3 of Schedule 3 of the Water Management Act 2000.

As a result of these administrative changes, on 1 July 2005 the net assets and equity of Country Energy were increased by the amounts of net assets and equity held by Australian Inland on 30 June 2005. The operating activities of Country Energy also increased by a factor equivalent to the sum of the operating activities of Australian Inland.

End of Audited Financial Statements

General Enquiries

13 23 56

Supply Interruptions

13 20 80

Offices

Broken Hill

160-162 Beryl Street

Broken Hill NSW 2880

Ph: 08 8082 5800

Fax: 08 8082 5333

8:30am - 4:30pm, Monday to Friday

Wentworth

24-25 Darling Street

Wentworth NSW 2648

Ph: 03 5027 7000

Fax: 03 502040

8:15am - 5pm, Monday to Friday

Balranald

110 Market Street

Balranald NSW 2715

Ph: 03 5020 9226

Fax: 03 5020 1407

8:15am - 5pm, Monday to Friday