

**WATER DIRECTORATE INCORPORATED**  
**ANNUAL REPORT FOR MEMBERS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**WATER DIRECTORATE INCORPORATED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2005**

|  | Note     | 2005<br>\$           | 2004<br>\$             |
|--|----------|----------------------|------------------------|
| Revenues from membership subscriptions                       | 2        | 332,269              | 296,189                |
| Other revenues from ordinary activities                      |          | 47,010               | 18,195                 |
| Employee benefits expense                                    |          | (146,525)            | (151,886)              |
| Management fees  |          | (40,092)             | (38,733)               |
| Consultants and technical support                            |          | (112,677)            | (98,978)               |
| Subscriptions  |          | (350)                | (1,000)                |
| Advertising sponsorship                                      |          | (25,970)             | (20,745)               |
| Insurance  |          | (11,070)             | (10,653)               |
| Printing, postage and stationery                             |          | (8,458)              | (13,298)               |
| Conferences  |          | (5,935)              | (5,789)                |
| Other expenses from ordinary activities                      |          | (13,580)             | (35,009)               |
|  |          | <hr/>                | <hr/>                  |
| Surplus (deficit) from ordinary activities before income tax |          | 14,622               | (61,707)               |
| Income tax expense   |          | -                    | -                      |
|  |          | <hr/>                | <hr/>                  |
| <b>Net surplus (deficit)</b>                                 | <b>9</b> | <b><u>14,622</u></b> | <b><u>(61,707)</u></b> |

The above statement of financial performance should be read in conjunction with the accompanying notes.

**WATER DIRECTORATE INCORPORATED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2005**

|                                      | Note | 2005<br>\$           | 2004<br>\$           |
|--------------------------------------|------|----------------------|----------------------|
| <b>CURRENT ASSETS</b>                |      |                      |                      |
| Cash assets                          | 4    | 107,319              | 50,361               |
| Other                                | 5    | <u>3,230</u>         | <u>6,711</u>         |
| <b>Total current assets</b>          |      | <u>110,549</u>       | <u>57,072</u>        |
| <b>NON-CURRENT ASSETS</b>            |      |                      |                      |
| Plant and equipment                  | 6    | <u>1,281</u>         | <u>2,357</u>         |
| <b>Total non-current assets</b>      |      | <u>1,281</u>         | <u>2,357</u>         |
| <b>Total assets</b>                  |      | <u>111,830</u>       | <u>59,429</u>        |
| <b>CURRENT LIABILITIES</b>           |      |                      |                      |
| Payables                             | 7    | <u>45,574</u>        | <u>11,474</u>        |
| <b>Total current liabilities</b>     |      | <u>45,574</u>        | <u>11,474</u>        |
| <b>NON-CURRENT LIABILITIES</b>       |      |                      |                      |
| Provisions                           | 8    | <u>16,652</u>        | <u>12,973</u>        |
| <b>Total non-current liabilities</b> |      | <u>16,652</u>        | <u>12,973</u>        |
| <b>Total liabilities</b>             |      | <u>62,226</u>        | <u>24,447</u>        |
| <b>NET ASSETS</b>                    |      | <u><b>49,604</b></u> | <u><b>34,982</b></u> |
| <b>EQUITY</b>                        |      |                      |                      |
| Retained profits                     | 9    | <u>49,604</u>        | <u>34,982</u>        |
| <b>Total equity</b>                  |      | <u><b>49,604</b></u> | <u><b>34,982</b></u> |

The above statement of financial position should be read in conjunction with the accompanying notes.

**WATER DIRECTORATE INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**1. STATEMENT OF ACCOUNTING POLICIES**

Water Directorate Incorporated was incorporated on 4 December 2002. Prior to this date the Water Directorate operated as an unincorporated entity, managed by the Institute of Public Works Engineering (NSW Division) Limited.

These financial statements are a special purpose financial report prepared for use by the committee and members of the association. The committee has determined that the association is not a reporting entity.

It is prepared on the basis of historical cost and in accordance with the requirements of all applicable Accounting Standards and other mandatory professional reporting requirements, with the exception of:

- AAS 16 : Financial Reporting by Segments
- AAS 22 : Related Party Disclosures
- AAS 28 : Statement of Cash Flows
- AAS 33 : Presentation and Disclosure of Financial Instruments

The following is a summary of the significant accounting policies adopted by the association in the preparation of the financial report.

**(a) Receivables and revenue recognition**

Membership income is recorded when the period of membership begins. Any membership fees received in advance are taken to deferred income until the period of membership begins.

Collectibility of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

**(b) Trade creditors and accruals**

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

**(c) Income tax**

Much of the income of the association is "mutual" income as defined in tax law, whereby income derived from member sources is tax exempt. Taxable income includes income derived from non-member sources after deducting expenditure incurred in deriving that income.

**WATER DIRECTORATE INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(d) Australian Equivalents to International Financial Reporting Standards**

The Australian Accounting Standards Board ("AASB") is adopting International Financial Reporting Standards ("IFRS") for application to reporting periods beginning on or after 1 January 2005. The AASB has issued AASB equivalents to IFRS, and Urgent Issues Group Abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian pronouncements will be known as Australian equivalents to IFRS. The adoption of Australian equivalents to IFRS will be first reflected in the financial statements of Water Directorate Incorporated for the year ending 30 June 2006.

The association has analysed the Australian equivalents to IFRS and has determined that there do not appear to be any significant changes in accounting policies required on adoption of Australian equivalents to IFRS, and that adoption of the standards will not materially affect the carrying value of assets and liabilities and the recording of the transactions of the association.

|  | 2005<br>\$     | 2004<br>\$     |
|--|----------------|----------------|
| <b>2. OPERATING SURPLUS</b>                                    |                |                |
| Operating surplus before income tax has been determined after: |                |                |
| <b>(a) Crediting as Revenue</b>                                |                |                |
| <b>Revenue from operating activities</b>                       |                |                |
| Membership fees  | 332,269        | 296,189        |
| Sales – manuals  | 7,668          | 11,710         |
| Sundry income  | 39,342         | 6,485          |
|  | <hr/>          | <hr/>          |
| Total revenue from operating activities                        | 379,279        | 314,384        |
|  | <hr/>          | <hr/>          |
| <b>Total revenue</b>   | <b>379,279</b> | <b>314,384</b> |
|  | <hr/>          | <hr/>          |
| <b>(b) Charging as Expense</b>                                 |                |                |
| Depreciation   | 1,076          | 872            |
| Remuneration of the auditors for:                              |                |                |
| Auditing accounts – HLB Mann Judd                              | 2,500          | 5,000          |
| Other services – HLB Mann Judd                                 | -              | -              |
|  | <hr/>          | <hr/>          |

**WATER DIRECTORATE INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

|   | 2005<br>\$ | 2004<br>\$ |
|---|------------|------------|
| <b>3. INCOME TAX</b>  |            |            |
| <b>(a) Income tax expense</b>   |            |            |
| Prima facie income tax on surplus (deficit) from ordinary activities before tax | 4,387      | (18,513)   |
| Mutual income   | (6,587)    | 23,513     |
| Income tax losses carried forward not recognised as a benefit                   | 2,200      | 5,000      |
| Income tax expense  | -          | -          |
| <b>(b) Future income tax benefit not recognised</b>                             |            |            |
| Tax losses  | 7,200      | 5,000      |

The benefit of these losses and timing differences will only be obtained if:

- (i) the association derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the association continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iii) no changes in tax legislation adversely affect the association in realising the benefit from the deductions for the losses.

**(c) Contingent Liability**

A decision of the Full Federal Court has questioned the ability of organizations such as Water Directorate Incorporated to follow the principle of mutuality for income tax purposes. This principle excludes transactions with members from taxable income and deductible expenses. Water Directorate Incorporated's past income tax returns have been lodged assuming that the mutuality principle applied.

Since this decision the Government has announced that the income tax law will be amended to ensure that organizations such as Water Directorate will not be precluded from following the mutuality principle solely because their constitution precludes them from distributing assets to members on a winding up.

The Commissioner of Taxation has announced that the Taxation Office is allowing the Government's measure to run within the self-assessment regime and that organisations such as Water Directorate Incorporated may choose to anticipate enactment of the law and continue to operate as they have done in the past. The Commissioner has announced that organizations which anticipate the changes to the law based on the Government announcement will not be disadvantaged.

Further, the Commissioner of Taxation has decided to take no review action on this issue that would affect the income tax liability of any organizations such as Water Directorate Incorporated that have complied with the Taxation Office's long-term practice for years prior to the law being changed.

**WATER DIRECTORATE INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

|   | 2005<br>\$           | 2004<br>\$           |
|---|----------------------|----------------------|
| <b>4. CASH ASSETS</b>   |                      |                      |
| Cash at bank  | <u>107,319</u>       | <u>50,361</u>        |
| <b>5. OTHER ASSETS</b>  |                      |                      |
| <b>Current</b>  |                      |                      |
| Other receivables   | <u>3,230</u>         | <u>6,711</u>         |
| <b>6. PLANT AND EQUIPMENT</b>   |                      |                      |
| Computer equipment – at cost  | 3,229                | 3,229                |
| Accumulated depreciation  | <u>(1,948)</u>       | <u>(872)</u>         |
|   | <u><b>1,281</b></u>  | <u><b>2,357</b></u>  |
| <b>Reconciliation</b>   |                      |                      |
| Reconciliation of the carrying amount of the computer equipment at the beginning and end of the current financial year are set out below: |                      |                      |
| Carrying amount at the beginning of the year  | 2,357                | 3,229                |
| Depreciation expense  | <u>(1,076)</u>       | <u>(872)</u>         |
| Carrying amount at the end of the year  | <u><b>1,281</b></u>  | <u><b>2,357</b></u>  |
| <b>7. PAYABLES</b>  |                      |                      |
| <b>Current</b>  |                      |                      |
| Accruals and other creditors  | 35,522               | 7,920                |
| Accrual for annual leave  | <u>10,052</u>        | <u>3,554</u>         |
|   | <u><b>45,574</b></u> | <u><b>11,474</b></u> |
| <b>8. PROVISIONS</b>  |                      |                      |
| <b>Non-current</b>  |                      |                      |
| Provision for long service leave  | <u><b>16,652</b></u> | <u><b>12,973</b></u> |

**WATER DIRECTORATE INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**

|  | 2005<br>\$     | 2004<br>\$      |
|--|----------------|-----------------|
| <b>9. RETAINED PROFITS</b>                           |                |                 |
| Balance at the beginning of the year                 | 34,982         | 96,689          |
| Net surplus (refer Note 10)                          | 14,622         | (61,707)        |
| Balance at the end of the year                       | <b>49,604</b>  | <b>34,982</b>   |
| <br><b>10. STATEMENT OF INCOME &amp; EXPENDITURE</b> |                |                 |
| <b>Income</b>  |                |                 |
| Membership fees                                      | 332,269        | 296,189         |
| Sales – manuals                                      | 7,668          | 11,710          |
| Sundry income  | 39,342         | 6,485           |
|  | <b>379,279</b> | <b>314,384</b>  |
| <b>Expenditure</b>                                   |                |                 |
| Conferences, travel and accommodation                | 6,276          | 6,846           |
| Consultants and technical support                    | 110,010        | 98,978          |
| Membership   | 8,000          | 8,000           |
| Subscriptions  | 350            | 1,000           |
| Advertising sponsorship                              | 22,744         | 20,745          |
| Printing, postage and stationery                     | 8,505          | 13,298          |
| Salary   | 146,525        | 151,886         |
| General expense                                      | 230            | -               |
| Legal fee  | 218            | 5,620           |
| Insurance  | 11,070         | 10,653          |
| Computer expense                                     | 3,226          | 2,973           |
| Executive committee                                  | 3,835          | 6,062           |
| Depreciation   | 1,076          | 872             |
| Taxes  | -              | 425             |
| IPWEA support  |                |                 |
| Management fee                                       | 40,092         | 38,733          |
| Accounting/audit                                     | 2,500          | 10,000          |
|  | <b>364,657</b> | <b>376,090</b>  |
| <b>Net surplus (deficit)</b>                         | <b>14,622</b>  | <b>(61,707)</b> |

**11. OTHER INFORMATION**

Water Directorate Incorporated is an association incorporated under the Associations Incorporation Act 1984 (NSW) and is domiciled in New South Wales.

The registered office and principal place of business is at 447 Kent Street, Sydney NSW 2000.

There was one employee at year end (2004: one).

**WATER DIRECTORATE INCORPORATED**  
**EXECUTIVE COMMITTEE DECLARATION**

In the opinion of the Executive Committee of the association:

1. (a) the statement of financial performance gives a true and fair view of the results of the association for the year ended 30 June 2005;
- (b) the statement of financial position gives a true and fair view of the state of affairs of the association as at the end of the year.
2. The accompanying accounts:
  - (a) have been made out in accordance with section 26 of the Associations Incorporation Act; and
  - (b) give a true and fair view of the matters dealt with by that section.
3. At the date of this declaration, there are reasonable grounds to believe that the association can meet its debts as and when they fall due.

This declaration is made in accordance with a resolution of the Executive Committee and is signed for and on behalf of the Executive Committee by two representatives.

*Stewart McLeod*

.....  
Signature of Executive Committee  
representative

*STEWART JAMES McLEOD*

.....  
Print name

*13 OCTOBER* ..... 2005

*Jaryl McCreegal*

.....  
Signature of Executive Committee  
representative

*JARYL MCCREEGAL*

.....  
Print name

*26 OCTOBER* ..... 2005

**WATER DIRECTORATE INCORPORATED****INDEPENDENT AUDIT REPORT**

To the members of Water Directorate Incorporated:

**Scope***The special purpose financial report and Executive Committee responsibility*

The special purpose financial report comprises the statement of financial position as at 30 June 2005, and the statement of financial performance, accompanying notes to the financial statements, and the Executive Committee declaration for the year ended 30 June 2005 for Water Directorate Incorporated ("the association") as set out on pages 1 to 8.

The Executive Committee members are responsible for the preparation and true and fair presentation of the financial report. This includes responsibility for the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error, for the accounting policies and for the accounting estimates within the financial report.

The accounting policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia. The financial statements comply with Accounting Standards and other reporting requirements in Australia to the extent set out in Note 1 to the financial statements. The Executive committee members are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the needs of the members of the association.

*Audit approach*

We conducted an independent audit in order to express an opinion to the members of the association. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance that the financial report is free of material misstatement. The nature of an audit is influenced by several factors including the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of audit evidence which may be persuasive rather than conclusive. Accordingly, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia to the extent described in Note 1, a view which is consistent with our understanding of the association's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance in relation to internal controls.

No opinion is expressed as to whether or not the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

## Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

## Audit opinion

In our opinion, the financial report of Water Directorate Incorporated:

- presents fairly, in accordance with the accounting policies described in Note 1, the financial position of Water Directorate Incorporated at 30 June 2005 and its performance for the year ended on that date, and
- is presented in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia to the extent described in Note 1.

Sydney  
28 October 2005

  
HLB MANN JUDD  
(NSW Partnership)  
Chartered Accountants

  
D K Swindells  
Partner