



BUSSETON **WATER**



ANNUAL REPORT 2013-14

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## about this report

Busselton Water is pleased to offer this report as a review of our performance for the financial year ended 30 June 2014.

The objective of this report is to provide a transparent account of our performance and to contribute to building increasing trust in our customer and stakeholder relationships.

In accordance with the *Water Corporations Act 1995* the report is provided to our sole shareholder, the Hon. Mia Davies, Minister for Water and tabled in the Parliament of Western Australia.

Prior annual reports can be found at [www.busseltonwater.wa.gov.au](http://www.busseltonwater.wa.gov.au)

We invite feedback on the content of our report, as it helps us to provide a publication that meets our reader's needs as well as meeting our statutory obligations. Your contact details are welcome but not essential.



Primary school students are shown the Plant 2 pump room

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## statement of compliance



For the year ended 30 June 2014

**HON. MIA DAVIES MLA**  
MINISTER FOR WATER

In accordance with Section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of Busselton Water for the financial year ended 30th June 2014.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* (and any other relevant written law).

A handwritten signature in black ink, appearing to read 'P. Carter', positioned above a horizontal line.

Paul Carter  
Member of Busselton Water Corporation

A handwritten signature in black ink, appearing to read 'M. Walker', positioned above a horizontal line.

Matt Walker  
Member of Busselton Water Corporation

Date: 2 September 2014

Date: 2 September 2014



overview

## chair's report



It is with pleasure and confidence that I present the 2013-14 Annual Report.

In the early part of the year a significant amount of work was undertaken by the Board and the organisation preparing for significant changes associated with new water legislation. On November 18, 2013 the Water Services Act and the Water Corporations Act came into effect.

The value of the earlier work was obvious as the year progressed as Busselton Water completed a smooth transition from a Water Board to a Water Corporation.

Some of the changes have been:

- The creation of a Board Charter to address all new Government requirements.
- A more commercial approach to everything we do.
- Assessment of business growth opportunities in new water service areas such as wastewater, drainage, flood protection and re-use water.

Busselton Water has delivered very positively on all reportable business targets and management key performance indicators. Most importantly, we have demonstrated positive progress towards our vision and purpose by addressing all actions set out in our Statement of Corporate Intent against eight objectives.

The financial performance of Busselton Water has seen a significant turnaround from the previous year with profit results well above budget.

Key factors contributing to these excellent results include record water sales, increased land development activity, management control of expenditure and deferral of some capital projects.

On a personal note, I would like to thank Chris Elliott and all Busselton Water employees whose dedication and commitment during the past twelve months has enabled the achievement of these very positive results and outcomes.

It has also been my privilege to work with a Board of Directors who bring a breadth and diversity of skills and experience to the organisation. Thank you all for your guidance and remarkable efforts during 2013-14 and I am confident Busselton Water is now extremely well placed to meet the challenges and opportunities of the exciting post corporatisation years ahead.

A handwritten signature in black ink, appearing to read 'H. Shervington', written over a light blue background.

**Helen Shervington**  
Chair

## ceo's report



2013-14 was a very successful and satisfying year for Busselton Water.

Our achievements against our eight objectives are set out in this report and demonstrate very positive progress towards our vision and purpose.

Some highlights for the year include:

- Exceptional water quality performance with 100% compliance with health and non-health water quality criteria.

- Genuine community and stakeholder engagement through a newly formed Customer Advisory group, Waterwise programs for schools, businesses and households and customer and stakeholder surveys.
- Completion of a 50 year Water Demand Forecast, 30 year Infrastructure Master Plan and a major revision of all Policies and Procedures.
- Revised organisation structure, including the appointment of General Managers for Operations and Business Services to align with the new legislation and position us for future growth.
- Negotiation of a new Enterprise Agreement for the period 2014-15 to 2016-17.
- Reduction of our All Injury Frequency Rate from 144 to 43.
- The introduction of an Employee Assistance Program.
- Established Asset Management Operational Strategies and Plans.
- Achieved reductions to energy consumption and water losses.
- Partnered with the City of Busselton in the successful Geothermal Project.
- The smooth transition from a Water Board to a Water Corporation.

- No complaints were lodged with the Water Ombudsman.

We achieved a profit before tax of \$4 million made up of contributions to State Government through the National Tax Equivalent Regime of \$1.2 million and a profit after tax of \$2.8 million.

These results significantly exceeded budgeted figures. A capital works program of \$1.4 million was also delivered.

Governance and compliance levels for all parts of the business were maintained at very high levels and were supported by findings of several audits including the Office of the Auditor General audit, Common Use Arrangements audit, AMD Chartered Accountant audit, National Tax Equivalent Regime lodgement visit, the Office of the Auditor General Credit Card Administration Fee audit, the Operation Licence and Asset Management audit and the National Performance Report.

I thank the Board for their confidence and support and commend every member of the Busselton Water team for their contribution to the excellent business results and accomplishments achieved in 2013-14.

A handwritten signature in dark ink, appearing to read 'Chris Elliott', written over a light blue background.

**Chris Elliott**  
Chief Executive Officer



## our organisation

### Enabling Legislation

Busselton Water became a corporation on 18 November 2013 under the *Water Corporations Act 1995*.

Prior to this date, Busselton Water operated under the *Water Boards Act 1904*. Established under Section 6 of the Act, Busselton Water Board was listed as a statutory authority by Schedule 1 of the *Financial Management Act 2006* and subject to the provisions of the *Public Sector Management Act 1994*.

### Responsible Minister

Busselton Water is owned by the West Australian Government and accountable to our sole shareholder, The Hon. Mia Davies, MLA, Minister for Water.

### Our Stakeholders

Our stakeholders include our customers, the Busselton Water Customer Advisory Group, the City of Busselton, local businesses and schools and various State and Federal government agencies. We are committed to building open and transparent dialogue with our stakeholders and value their support in identifying and

managing key priorities in the delivery of current and future water needs within our licensed area.

### Operating Licence

Our Operating Licence is issued by the Economic Regulation Authority under the *Water Services Act 2012*. The licence (WL3, Version 6) is valid until 1 October 2021 and authorises Busselton Water to provide potable water supply services.

Busselton Water proposes operating licence amendments in accordance with the Act to amend its operating licence to authorise potable, non-potable, sewerage and drainage services over expanded areas.



Located approximately 220 kilometres south of Perth Busselton Water's operating licence covers an area approximately 81,504 hectares.

As at June 2014







## our vision and values



### Our Vision

To attain excellence in service, supply, quality and management and sustainability of water service.

### Our Purpose

To provide high quality water at a minimum long term cost to our customers through the provision of customer-focused services and sustainable practices.

Our priorities and values are integral to our business.  
Our strong governance framework embeds our values in everything we do.

### Our Business

Be fair in all our dealings with customers, government and allied water service providers. Be accountable for all our actions.

### Our People

Provide a safe and healthy work environment.  
Recognise and reward innovation and excellence of service.

### Our Customers and Stakeholders

Always be customer focused.  
Act with honesty and integrity and maintain transparency.

### Our Environment

Sustainably manage our groundwater resource.  
Respect the natural environment by assessing environmental implications of all our business activities.

## our organisational profile

### Our Services

Busselton Water supplies water to a population of greater than 26,000 people. Our customers include domestic, commercial, light industrial and special rural water users within the City of Busselton and its environs. Bulk water is also sold to an adjoining licence area in Dunsborough.

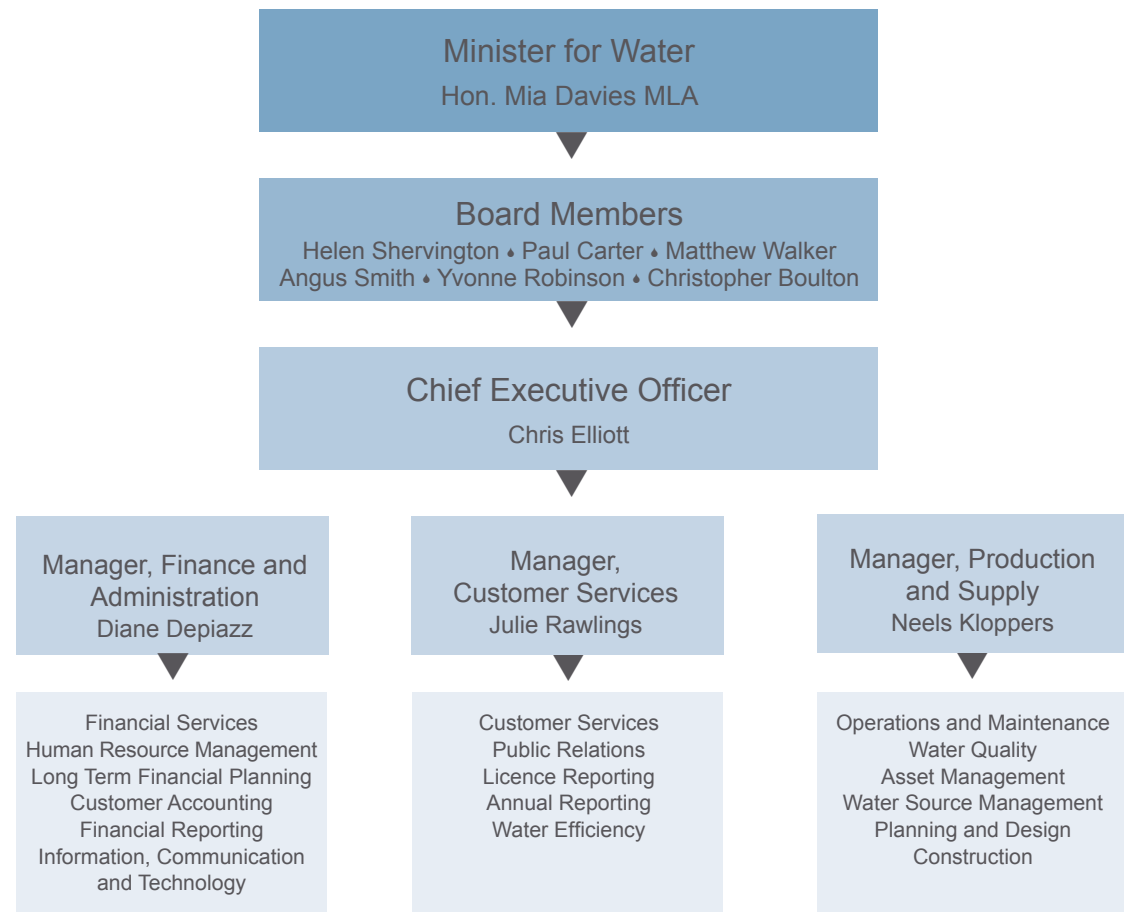
Our business is funded from customer and bulk water sales, related services from customers, (including land developers), interest on our investments, reserve funding and borrowings.

### Our Structure

The Board of Busselton Water has the legislative authority to perform the functions of the organisation and sets in place the policy framework and strategic objectives that direct organisational activities.

The Board is responsible for legal compliance, corporate governance and risk management and directs our ethical and behavioural standards.

The CEO is appointed by the Board and throughout the reporting period, the CEO managed an organisation structure of three teams to deliver the functions of Finance and Administration; Customer Service; and Production and Supply.



This structure was altered in the last quarter of the reporting period with two General Managers appointed effective 1 July 2014 to deliver outcomes from two areas of responsibility of Business Services and Operations.

Busselton Water employs 25 skilled and valued employees who work within these teams to help deliver our vision and objectives.



## our board

Board members are appointed by the Governor in Executive Council for a three year term. Members are appointed according to their expertise and experience in areas relevant to Busselton Water's activities.

**Helen Shervington**

**Chair**

OAM, BA(Hons), MIR

Ms Shervington was appointed to the Board in October 2011, and elected Chair of the Board in July 2012. Ms Shervington has had extensive involvement with the water industry and is a past member of the Whicher Water Management Committee, Combined Shires Yarragadee Committee, the South West Development Commission and Busselton Shire Council. She is also a past Deputy President of the Busselton Shire Council.

**Paul Carter**

BBus

Mr Carter was appointed to the Board in 2010. Mr Carter is the owner of a local irrigation and garden centre business. He has previously worked for WA Farmers and the Dairy Industry Authority.

Chair: Audit Committee

**Christopher Boulton**

MEd, BEd, DipT

Mr Boulton was appointed to the Board in 2012. Mr Boulton has been a school principal for over 20 years and is interested in ensuring the progress of Busselton Water in the community.

Member: Audit Committee

**Yvonne Robinson**

GAICD, GradDipMgt

Ms Robinson was appointed to the Board in 2007. Ms Robinson's background is in health having trained as a registered nurse and midwife. Ms Robinson held the role of Chief Executive Officer at GP Down South until 2012 and continues in a part time management role overseeing a range of programs focused on chronic disease and preventative health care.

**Matthew Walker**

BSc

Mr Walker was appointed to the Board in 2013. Mr Walker is the General Manager of Villa Carlotta Travel. Previously he was the Business Manager for Pindari WA, a labour hire firm for construction maintenance servicing the mining sector.

**William Angus Smith**

BCom, CA

Mr Smith was appointed to the Board in 2013. Mr Smith is a Chartered Accountant and Registered Tax Agent operating in public practice. Mr Smith is currently Vice President of the Busselton Chamber of Commerce and Industry and Treasurer of the Busselton Sporting Association.

Member: Audit Committee



## our senior officers

Chris Elliott

**Chief Executive Officer**

MBA, GDip Bus, BE(Hons), MIE Aust, CPEng

Mr Elliott has 38 years' experience in management and professional engineering roles in the water and construction industries in both public and private sectors.

Julie Rawlings

**Manager, Customer Services**

GradCert PR, MPRIA, MLGPRA

Mrs Rawlings has over 20 years' experience in public relations and customer service within the public sector.

Neels Kloppers

**Manager Production and Supply**

BEng

Mr Kloppers has 25 years' experience in the civil engineering field within Australia and overseas.

Diane Depiazz

**Manager Finance and Administration**

BCom, ADipBus, Associate Member CPA

Ms Depiazz has 30 years' experience working in finance both in local and state government including 14 years as Finance Manager.

## legislative environment

The following Acts are relevant to Busselton Water operations:

*Water Corporations Act 1995*

*Water Agencies (Powers) Act 1984*

*Water Resources Legislation Amendment Act 2007*

*Country Areas Water Supply Act 1947*

*Rights in Water and Irrigation Act 1914*

*Water Agencies Restructure (Transitional and Consequential Provisions) Act 1995*

*Water Services Act 2012*

*Water Services Legislation Amendment and Repeal Act 2012*

*Water Boards Act 1904*

*Busselton Water Board (Supply of Water to Dunsborough) Act 2009*

*Water Services Licensing Act 1995*

*Public Sector Management Act 1994*



# performance management framework

Busselton Water has committed to an outcome based service delivery model in providing a sustainable, high quality drinking water supply for our customers.

Our performance in each of the effectiveness and efficiency indicators is shown here with more detail on page 68.

## Changes to Outcome Based Management Framework

Busselton Water's Outcome Based Management Framework did not change during 2013-14.

## Shared Responsibilities with Other Agencies

Busselton Water did not share any responsibilities with other agencies in 2013-14.

## Outcome Based Management Framework





our performance



## report on operations

Water quality remains our top priority with 100% compliance achieved in all health criteria within the 2004 Australian Drinking Water Guidelines (ADWG) and the requirements of Busselton Water's Memorandum of Understanding with the Department of Health.

Our focus on safety has remained high with a reduction in our All Injury Frequency Rate from 144 to 43. Safety is the first topic of discussion in every tool box and management meeting.

There were no major incidents reported during the year and mock events were staged to test and improve our incident response plans.

In a year of corporatisation and restructuring activity our focus on governance was maintained with high levels of compliance achieved across eight audits.

Busselton Water achieved a profit before tax of \$4.1 million and profit after the National Tax Equivalent Regime of \$2.8 million. This result was \$2.7 million higher than planned with revenue from developer contributions and high water usage during a dry summer contributing to the result.

Balanced performance across our eight objectives demonstrates our ability to build on past performance to continue our progress toward achieving our Vision and Purpose.

Our performance against each of our objectives is detailed in the following pages.

### Investment in Infrastructure

Our capital investment program of \$1.4 million is significantly below the revised target of \$2.6 million due to a requirement to shut down Plant 2 during low demand (\$0.3m), vehicles ordered in the reporting period and not delivered until July (\$0.2m) and ICT projects deferred in line with our organisation restructure. ICT projects will now be delivered in the first two quarters of the new financial year.

### Returns to the State

The Board is not required to approve dividends on after tax profit in this reporting period.

We are required by the Australian Taxation Office to lodge a NTER tax equivalent return and pay tax equivalents to the State Government.

### Significant Issues

There are no significant or emerging issues impacting Busselton Water as at June 30 2014.



<b>Financial Targets</b>	<b>2013 –14 Target</b>	<b>2013 –14 Revised Target</b>	<b>2013 – 14 Actual</b>	<b>Variation \$000</b>
Total expenses (\$0,000)	7,730	7,711	6,990	(740) <sup>1</sup>
Total income (\$0,000)	9,096	9,096	11,040	1,945 <sup>2</sup>
Total equity (\$0,000)	58,905	58,905	63,125	4,220 <sup>3</sup>
Net increase/(decrease) in cash held (\$0,000)	262	262	3,151	2,889 <sup>4</sup>
Approved full time equivalent (FTE) staff level	N/A	N/A	24	N/A

<b>Financial Outcomes</b>	<b>2013 – 14 Target</b>	<b>2013 –14 Revised Target</b>	<b>2013 – 14 Actual</b>	<b>Variation \$000</b>
<b>ASSUMPTIONS</b>				
Growth rates & fees (%)	1.3	-	3.6	2.3
CPI (annual change) (%)	3	-	3.3	0.3
Dividend provision rate (%)	-	-	-	-
Operating profit before income tax (\$m)	1.4	1.4	4.0	2.6 <sup>5</sup>
Operating profit after income tax (\$m)	0.9	0.9	2.98	1.9
Loan principal repaid (\$m)	0.2	0.2	0.2	-
Capital expenditure (\$m)	2.5	2.6	1.4	1.2 <sup>6</sup>
Return on fixed assets (%)	1.39	-	4.40	3.01 <sup>7</sup>
Return on equity (%)	1.48	-	4.47	2.99 <sup>8</sup>
Debt to equity ratio (%)	3.61	-	3.37	(0.24)
Debt to total assets ratio (%)	2.84	-	2.67	(0.16)

#### ACCRUALS TO GOVERNMENT (STATE)

Indirect tax (payroll tax) (\$'000)	127.9	127.9	98.2	(29.7)
Income tax equivalents (NTER)(\$'000)	492.2	492.2	1,228.5	736.2
Local government rate equivalents (\$'000)	30.0	30.0	-	-
Dividends provided	-	-	-	-
Total accruals to Government (\$'000)	650.1	650.1	1,326.7	706.6
Less: Payments from Government (CSOs, etc.)	-	-	-	-
Net accruals to Government	650.1	650.1	1,326.7	706.6 <sup>9</sup>

#### Note 1 Total expenses

Favourable operating expenditure of \$7.0 million was achieved against a target of \$7.7 million due primarily to staff vacancies, \$0.5 million; ICT projects deferred, \$0.1 million; and lower than expected depreciation, \$0.5 million. This has been partially offset by electricity expenditure, \$0.1 million and mains expenditure, \$0.2 million. Further explanations are contained in Note 35 'Explanatory Statements' to the financial statements.

#### Note 2 Total income

Actual income achieved of \$11.0 million is above the target of \$9.1 million primarily due to increased revenue from new connections and developer contributions, \$1.3 million, due to a number of large developments. Water sales revenue was also greater than anticipated due to a drier climate.

#### Note 3 Total equity

Favourable due to higher than anticipated net profit after tax equivalent expense.

#### Note 4 Net increase in cash held

The increase primarily reflects increased revenue from developer contributions.

#### Note 5 Operating profit

A healthy profit before income tax equivalent expense of \$4 million was achieved. The primary variance is explained under Note 1 'Total expenses' and Note 2 'Total income'. Further explanations are contained in Note 35 'Explanatory Statements' to the financial statements.

#### Note 6 Capital expenditure

The actual result of \$1.4 million is below the revised target of \$2.6 million reflecting the deferral of projects to 2014-15 due to complexity and a requirement to shutdown Plant 2 during low demand. Deferrals include motor vehicles and plant ordered in June but not delivered until July, and changeover of vehicles deferred until 2014-15 due to low usage. In addition, ICT projects were deferred until 2014-15 due to resource constraints.

#### Note 7 Return on fixed assets

The increase is related to actual net profit after tax being greater than estimated and depreciation under budget.

#### Note 8 Return on equity

The increase is directly related to actual net profit after tax being greater than estimated and transfer from reserve under budget.

#### Note 9 Net accruals to Government

Increased payment of income tax equivalents due to higher net profit before tax.

Summary of Key Performance Indicators	2013-14 Target	2013-14 Actual	Variance <sup>1</sup>
Outcome 1 – Sustainability			
Key Effectiveness Indicator(s)			
Quantity of water produced within licensed area	<8.1 GL	5.1 GL	3.0 GL
Key Efficiency Indicators(s)			
Real water losses (litres per service connection per day)	<115	96	19
Operating cost per property (\$ per property)			
(% change from previous year)	< 4% increase	(13.19)	(17.19)
Energy consumption (kWh per kL produced ex-Plant)	<0.70	0.61	0.09

#### Outcome 2 – High Water Quality

Key Effectiveness Indicator(s)			
Number of zones where microbiological compliance is achieved	1/1	1/1	0

(1) For more detailed information on the Key Performance Indicators see 'Disclosures and Legal Compliance - Key Performance Indicators'.

Business Targets	2013-14 Target	2013-14 Actual	Variance
Emergency Call Response (within 1 hour)	>90.0%	87.91%	2.09 <sup>1</sup>
Complaint Resolution within 15 business days	>90.0%	100%	-
Pressure (min. 15m) & Flow (min. 20ltrs/minute)	>99.8%	100%	0.2
Continuity of Supply of connected properties	>75.0%	80.81	5.81
All Injury Frequency Rate	115	43.4	71.6

(1) Emergency Call Response (within one hour) relates to all urgent maintenance calls, not just emergencies. This includes non-urgent response and has resulted in a performance below target. System changes now differentiate response type and full compliance is expected.



## Management KPI Trends

These indicators are not subject to Audit by the Office of the Auditor General

	2010	2011	2012	2013	2014
% Properties served per km of water main	36.6	37.2	37.7	38.5	39.7
Average annual residential water supplied (kL/Property)	296.8	285.0	279.8	271.9	286.6 <sup>1</sup>
Total number of water main breaks	19	15	10	20	23
Water main breaks (per 100 km of water main)	6.4	5.0	3.3	6.6	7.7 <sup>2</sup>
Total number of water quality complaints (per 1,000 properties)	0.8	1.4	22.0	18.5	2.4 <sup>3</sup>
Total number of water service complaints (per 1,000 properties)	0.2	0.8	0.4	0.2	0.0
Total number of account & billing complaints (per 1,000 properties)	1.9	0.9	0.5	0.3	0.2 <sup>4</sup>
Average duration of a unplanned water interruption (minutes)	41.3	41.6	79.5	92.0	83.0 <sup>5</sup>
Average frequency of unplanned water interruptions (per 1,000 properties)	2.8	1.1	2.7	4.1	2.0 <sup>6</sup>
Economic real rate of return % - Water (net water revenue/written down value of water assets)	2.1	1.8	0.9	0.5	5.8 <sup>7</sup>
Lost time injury frequency rate (LTI per 1 mill hours)	41.7	21.4	20.7	20.7	43.4 <sup>8</sup>
Lost time injury incidence rate (LTI per 100 workers)	7.6	3.6	3.3	3.3	7.1
% return on weighted balance of investments target UBSA 90 day bank bill index 2.7%	-	-	6.0	4.7	3.9

(1) Volume remains within the normal range experienced over the past 10 years. This figure is sensitive to annual rainfall.

(2) A mains replacement program which uses a risk based methodology is utilised to replace the aging infrastructure.

(3) Water quality complaints have returned to low levels experienced in the years prior to chlorination.

(4) Ongoing downward trend reflects continuous improvement in billing systems and processes.

(5) Remains high due to a number of interruptions that took on average 4 to 5 hours to rectify.

(6) Returning to normal lower levels.

(7) Increased property development and water sales due to a dry climate plus savings in operating expenditure.

(8) Busselton Water had 2 lost time injuries during the year.



our objectives

## objective one

### Provide High Quality Water

Busselton Water is committed to providing its customers with high quality water.



### Deliver water, meeting all agreed standards

Our water is sourced from bores constructed in the confined Leederville and Yarragadee aquifers, which supplies fresh groundwater in the Busselton area. The Busselton Borefield falls within the Busselton/Capel groundwater area.

During the reporting period we delivered 4.9 GL of water to our customers from an infrastructure base of eight bores, three treatment plants and 306km of distribution mains. We maintained a fully compliant water quality record, meeting all the requirements for both health and non-health related water quality parameters with no reportable exceptions. We also met all flow and pressure licence requirements.

The raw groundwater generally has turbidity and iron concentrations above the drinking water guideline limits and these are removed by pre-dosing, aeration and filtration at the treatment plants. Following filtration, the water is disinfected and stored in storage tanks prior to distribution to customers.

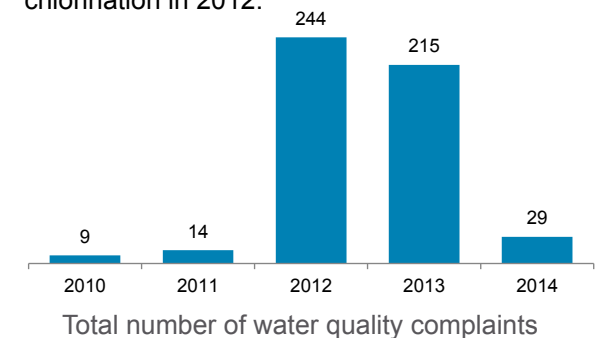
### Maintain a Memorandum of Understanding with the Department of Health

During the year, we met all of the requirements of our Memorandum of Understanding with the Department of Health.

The water quality committee meets with the Department of Health on a quarterly basis during the year to discuss water quality results. We have achieved 100% compliance with health related performance targets set out in the Australian Drinking Water Guidelines 2004 (ADWG).

A Drinking Water Quality Management Plan has been implemented. The plan is a requirement under our Memorandum of Understanding with the Department of Health and includes strategies that will drive greater alignment with the 12 elements of the ADWG.

Water quality complaints per 1,000 properties have dropped by 87% to reflect levels experienced prior to the introduction of chlorination in 2012.





## objective two

### **Build Genuine Community and Stakeholder Engagement in Support of Our Vision and Purpose**

We will be proactive in ensuring that we engage our customers, stakeholders and the community as we work to effectively manage current and future water needs for Busselton.

### **Implement the 2013-14 Communications and Engagement Plan**

#### **Waterwise Programs**

Waterwise programs for business and residential customers progressed during the year. Two business customers and 34 local families were recognised for their outstanding achievement in managing our water resource and caring for the environment.

#### **Water Education**

Busselton Water's School Education Program aims to educate students and families to value, protect and conserve our precious water resource. The program provides information relevant to the licensed area with a broad understanding of local water resources including water saving, conservation and water treatment.

The program has continued to be promoted to local schools during the year with three schools achieving Waterwise accreditation in 2013. One additional local school is working towards accreditation in 2014.

#### **National Water Week (NWW)**

Busselton Water hosted the Australian Water Association WA NWW 2013 conference in Busselton. The Busselton Water National Water Week poster competition with the theme 'Livable Communities' continued to be a community favorite with over 300 entries received from local schools. The Geothermal model and a selection of posters were displayed at the conference (prior to being installed at the Geographe Leisure Centre).



National Water Week poster entry 2013  
by Wil Stier



### **Courtesy Calls**

One week after a fault is reported or a complaint is lodged by a customer, our customer service team contact the customer to ensure customer satisfaction with the service provided and to confirm action has been taken. 100% customer satisfaction with our service was reported during 2013-14.

### **Customer Complaints**

Providing excellent customer service is a high priority at Busselton Water.

To ensure the highest level of compliance with our Operating Licence and Our Customer Commitments we have a robust complaints handling process. We encourage our customers to contact us when their expectations are exceeded and/or not met and we use this valuable feedback to grow our business.

Enquiries and complaints are responded to promptly and advice of necessary works that may disrupt services to segments of our community is conveyed to our customers in a timely manner.

### **Customer and Stakeholder Research**

An independent customer survey is undertaken each year to assist with service improvements and to understand our customer perceptions. Survey outcomes present opportunities to enhance our performance across a range of operational and service levels.

During 2013-14 a Stakeholder Survey was conducted for the first time with 100% of respondents expressing satisfaction with the value their organisation received from Busselton Water.

### **Geothermal Project at Geographe Leisure Centre (GLC)**

Busselton Water partnered with the City of Busselton in the geothermal heating project at the GLC. This initiative will see significant power savings passed on to Busselton residents and a reduction of greenhouse gas emissions in the range of 447 tonnes per year.

The project has seen the installation of pipework from the storage tank located at Water Treatment Plant 2 on Queen Elizabeth Avenue to a heat exchange system. The water from the storage tank is pumped through the exchange system to extract heat from the naturally warm ground water and the water is returned to the storage tank ready for distribution to customers. The heat is transferred to water pumped from the nearby leisure centre which is pushed back to the GLC and used to heat the two swimming pools and assist in the recreation building air handling equipment.

Busselton Water developed an interpretive 3D working model that is in a prominent position permanently at the GLC which explains and raises awareness of the systems benefits and sustainable features.

Completed in February 2014, the project will require 12 months of operation to formally assess the system's performance. The system is currently operating efficiently and to date has been found to be performing beyond expectations.



Chair Helen Shervington speaking at the opening of the Geothermal Project.

### Water Efficiency

Significant work has been undertaken to establish and implement education and support programs to ensure customers understand their obligations. Water efficiency continues to be embraced by the majority of the community with reported breaches dropping by 34% from 121 to 80.

	2011-12	2012-13	2013-14
Breach Reports	66	121	80
Exemptions (new lawns)	185	123	118

### Review the 5 year Communications and Engagement Strategy

Busselton Water continues to place a high priority on its communications with customers and stakeholders and develops a communications and engagement plan annually. Our programs are continually reviewed to identify opportunities to engage effectively in two-way dialogue with our customers, our community and stakeholders.

Corporatisation and new legislation has seen the development of 'Our Customer Commitments'. This document reflects the intention of the Water Services Code of Conduct 2013 and defines our ways of working and our commitment to our customers.

### Customer Advisory Group (CAG)

Following our commitment to create genuine, two-way dialogue with our customers a Customer Advisory Group was formed in October 2013. The Group provides valuable input to Busselton Water on issues affecting our customers, including policy, strategic initiatives, operations and service levels. Members are encouraged to contribute to discussion, raise issues of concern and provide feedback.

This diverse group provides representation from Busselton residents, City of Busselton, Chamber of Commerce, Busselton Senior Citizens Association, Busselton and Districts Residents Association and local schools who support us in identifying key customer issues.



Customer Advisory Group May 2014

## objective three

### Continuously Improve Our Business

We are committed to applying strong financial management and business planning principles to ensure the short, medium and long term viability of Busselton Water.



#### Effectively plan for our business

This year saw the first year delivery of our five year strategic planning framework.

In addition, the framework has been reviewed with strategies refined for the coming 2014-15 reporting year. A 30 year Infrastructure Master Plan was also developed.

A major achievement to support longer term planning was the development of a Water Demand Forecast which identifies our water source requirements and projects demand to 2060.

A review of the organisation's 10 year financial model has been undertaken as part of the budget process with a key outcome being the projection of the hydraulic capital program to 30 years – made possible due by the Infrastructure Master Plan.

#### Continuously improve our business management systems

The move to a Water Corporation has changed our legislative environment and driven a major overhaul of all of our policies and procedures.

During the year, new policies have been developed for approval by our Board. Our policies are linked to a new Business Excellence Framework. Flowing on from this work, the majority of procedures have been reviewed for compliance with our new legislative environment with some minor

reviews carrying forward to 2014-15.

Similarly, a review of each work instruction is also nearing completion.

Our quality and performance in managing our processes is reflected in our selection of WorkSafe and ISO 9002 as our targeted accreditation standards.

#### Focus on information, communication and technology (ICT)

A five year ICT strategy has been reviewed with critical pathways established to improve our technology, systems and processes.

The first year of our strategy was delivered in the reporting period with improvements made in system back-ups and disaster recovery capabilities. Mobile and wireless technologies have been upgraded and cabling infrastructure has been improved.

A joint-venture project with the City of Busselton has been identified to improve connectivity between the administration building and Plant 2.

At Plant 2, the SCADA dialer for alerts and failures has been upgraded and cabling infrastructure has been improved.

Work has also been completed in preparation for key system software upgrades and enhancements in 2014-15, including the establishment of a new test environment and testing regimes.



Demonstrate high standards  
of corporate governance  
and risk management

In a year of significant change our focus on governance and compliance has been evidenced in a number of audits, including the Officer of the Auditor General Audit; Common Use Arrangements Audit; AMD Chartered Accountant Audit; National Tax Equivalent Regime Lodgement Visit, Office of the Auditor General Credit Card Administration Fee Audit; and the National Performance Report.

An Asset Management Review and Operational Audit was also undertaken in August 2013 with all recommendations addressed and implemented.

A highlight of our risk management framework has been the targeting of IS 31000:2009 accreditation standards.

A full review of our risk register is conducted twice annually to re-assess or add risks as required.



Water Treatment Plant Operator  
Matthew Butterly



## objective four

### **Develop a Highly Skilled, Motivated and Well Resourced Workforce in a Safe and Secure Working Environment**

Ever increasing industry demands necessitates employees who are well trained and highly skilled. We are mindful of this and the need to continuously develop the competencies of existing staff.

#### Ensure our employees safety

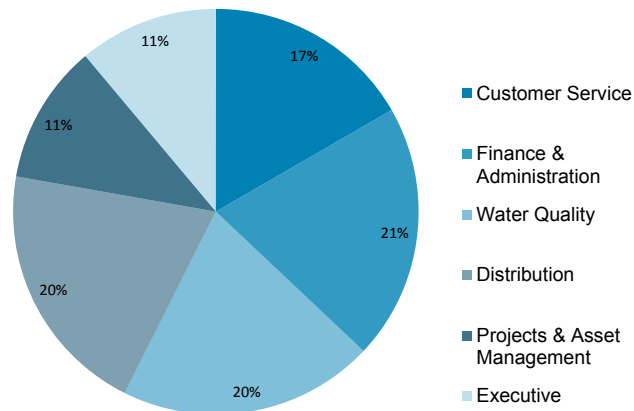
Busselton Water has 25 employees working across a number of disciplines.

Our employees help to embed a culture of safety by actively living our values and working with safety as our highest priority.

Following a self-assessment of our Occupational Health and Safety Plan against WorkSafe accreditation criteria, gaps were identified and an Action Plan developed and implemented.

Safety is the first item discussed at toolbox and management meetings and together staff have succeeded in reducing our All Injuries Frequency Rate by 70% from 144 to 43.

More information on our safety performance can be found in 'Other disclosures and legal requirements'.



Employee Distribution



Water Industry Worker  
Chris Deeks

## Develop and implement a comprehensive human resources plan

A Human Resource Management Plan was developed during the year with improvements made in our recruitment process and in our employee communications.

Highlights have included the implementation of an employee assistance program and the successful negotiation of a new enterprise agreement.

Our annual performance appraisal process underwent revisions to highlight performance in living our values. 100% appraisals were completed with opportunities for development aligned to performance objectives for the coming year.

## Achieve an effective two way internal communications model

Progress has been made earlier this year with the introduction of team briefings, sundowners, Occupational Health and Safety breakfasts and regular team meetings.

Team meetings are structured to occur around management and Board meetings to provide an effective two-way feedback loop.



Hon. Terry Redman MLA, visits Plant 2 and meets with the Operations staff, August 2013



## objective five

### **Manage Our Water Infrastructure System to Ensure its Effective and Efficient Utilisation**

A key factor in the provision of a sustainable and reliable water supply is an effective and well maintained water infrastructure system.

#### **Maintain an Asset Management Strategy**

Busselton Water's Asset Management Strategy was completed during the year and now provides an integrated framework for the effective co-ordination of asset management activities.

Highlights in asset management have included the completion of the Annual Asset Management Plan; the Five Year and Annual Operating Strategies; and the implementation of our Asset Condition Assessment Program.

Achievements this year included the integration of data between MapInfo GIS and our asset management system and the completion of the 50 year Water Demand Forecast and 30 year Infrastructure Master Plan.

The Economic Regulation Authority sets the timing and regularity of operational audits. Based on our performance in this area our next audit has been extended from 24 to 36 months. Similarly, our Asset Management Review may also be extended after timely completion of a Post Audit Implementation Plan.

The extensions demonstrate a strong compliance framework that is achieving the conditions of the licence and operating an effective asset management system.

#### **Maintain a Business Continuity Plan (BCP)**

Busselton Water maintains a Business Continuity Plan that is reviewed annually to reflect changes in our business and operating environments.

A simulation is held biannually with opportunities identified to update and refine our business continuity plan and to provide feedback to stakeholders including Department of Health, FESA and local government.

#### **Monitor Key Performance Indicators**

The standard utilised to set targets, relevance of the indicator to desired outcomes and explanation of variances for Key Performance Indicators (KPI's) are provided on page 68.

All KPI's (including water abstraction, real water loss, energy consumption, water quality compliance, leaks and bursts per 100 km, unplanned service interruptions) are reviewed by management on a monthly basis with all exceptions reported to the Board.



## objective six

### **Manage All Operations of Busselton Water to Achieve Greater Environmental Sustainability**

We are mindful that water is a limited resource in Western Australia and the need to manage it sustainably is greater than ever. Part of this is the protection of the environment around us and around our water.

#### **Ensure sustainable source protection and management**

The Leederville and Yarragadee aquifers are located hundreds of metres below ground level and were formed over 30,000 years ago during the Jurassic period. The aquifers are replenished by rainfall.

In accessing this water source we are mindful that water is a limited resource in Western Australia and that the need to manage water sustainably is greater than ever.

Significant work has been done this year to develop a 50 year Water Demand Forecast to support our long term planning for water extraction.

In addition, the Busselton Water Reserves Drinking Water Source Protection Plan was revised in conjunction with the Department of Water (DoW) in August 2013 and published on DoW's website.

Recommendations from the previous Plan (2009) were completed during the year, including the proclamation of the Busselton Water Reserve in the WA Government Gazette on March 2014.

#### **Ensure compliance with all environmental conditions**

Busselton Water reports on its monitoring program annually to the DoW and in every third year, performs a full aquifer review. Our next triennial review occurs in September 2015.

The Annual Groundwater Monitoring Report for July 2012 to June 2013 was submitted on October 1, 2013.

Busselton Water is committed to managing the groundwater resources so that declines in potentiometric heads do not adversely impact groundwater quality or other users. This is achieved through ongoing water level and water quality monitoring with specified management objectives and responses.

We protect the aquifers from environmental damage from the surface through specially constructed production bores, (constructed to National Guidelines (NUDLC, 2012)) which prevent groundwater contamination from spills or leakage from other aquifers.

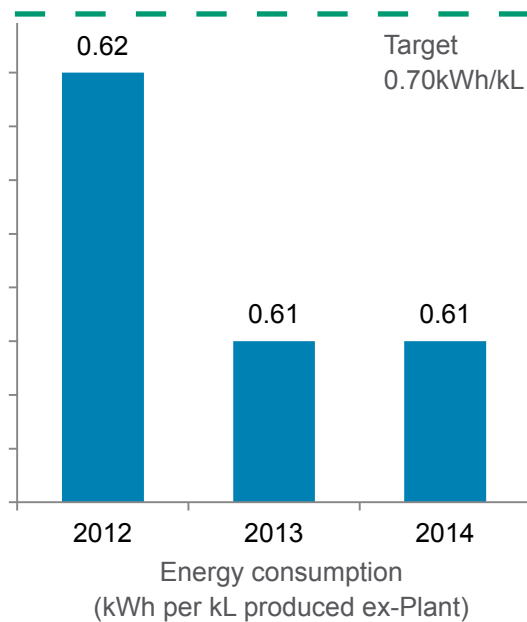
In addition, Busselton Water registers back-flushing discharge water with the Department of Environment Regulation.



### Reduce our environmental footprint

Busselton Water has an interconnected Water Treatment Plant system which is operated to maximise the use of off-peak power tariffs.

Energy consumption at a level of 0.61kWh/kL remains below the target of 0.70kWh/kL.



### Reduce unaccounted for water

Busselton Water reduces unaccountable water losses through a Network Leak Detection program which is implemented each year to provide early detection of water loss from the reticulation network.

The real water loss of 96 L/service/day is a significant increase from previous years and has resulted in the acceleration of the leak detection program, as well as the application of other initiatives including:

- The implementation of water restrictions;
- The promotion of water efficiency through education programs and residential and non-residential programs;
- Conducting public awareness campaigns for water conservation;
- The minimisation of water losses from backwashing operations, repaired and flushed pipelines;
- The prompt repair of pipelines and valves;
- Using Radio Frequency meters to identify water loss; and
- Using water accounting and loss control techniques.



## objective seven

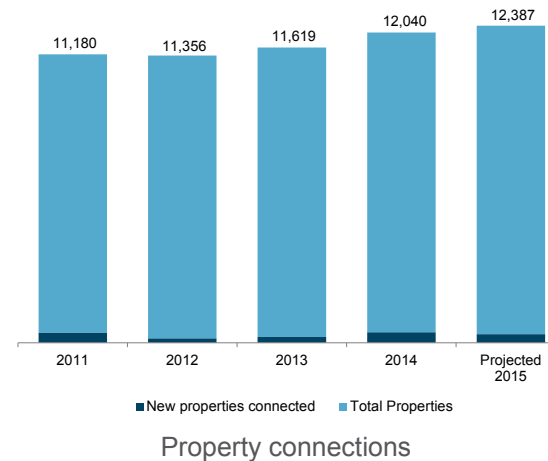
### Grow Our Business

We anticipate many exciting opportunities for Busselton Water in the future and will strive to identify and convert growth opportunities.

### Organic growth

Busselton Water has continued to work closely with land developers, the City of Busselton and planning agencies to be well positioned to meet the projected increased growth within the City of Busselton.

Growth averaged 248 new connections or 2.5% in the past 3 years. A spike in activity was experienced this year with an increase of 3.5% or 421 connections bringing our total connections to 12,040.



Residential subdivision growth of 398 lots is expected in 2014-15. Estimates are taken from building lots currently under construction and proposed lots in the design stage of construction.

Busselton Water's forecast planning indicates that this rate of growth is likely to continue in the short term.

### Seek new opportunities

Corporatisation has provided Busselton Water with the opportunity to explore new areas of growth and diversification.

A Business Development Plan was developed to address potential new commercial opportunities.

New opportunities have been identified as possible strategic options and are currently being evaluated.

Busselton Water proposes operating licence amendments in accordance with the Act to amend its operating licence to authorise potable, non-potable, sewerage and drainage services over an expanded licence area.

## objective eight

### Corporatisation

Implement a detailed corporatisation action plan

Busselton Water became a corporation in November 2013. The change from a Water Board to a Water Corporation required significant work to align our structure, policies and procedures with our new legislative environment.

Our 'Customer Charter' was replaced with 'Our Customer Commitments' and published on our website.

At the same time, our focus on water quality, governance and customer service was maintained and a seamless transition was achieved for our customers and stakeholders.

Customers have the opportunity to now refer unresolved complaints to the Water Ombudsman if dissatisfied with Busselton Water's complaint process. There were no complaints lodged with the Water Ombudsman during 2013-14.

The final step in Corporatisation will apply from 2014-15 when Busselton Water will be called upon to provide the Minister for Water with an annual dividend and payment of an amount in lieu of rates. In addition Busselton Water will become eligible to receive Operating Subsidy payments for non-commercial activities engaged in at the direction of the State Government.







disclosures  
and legal  
compliance



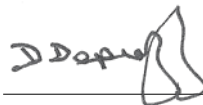
disclosures and legal compliance

## certification of financial statements

For the year ending 30 June 2014

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

At the date of signing we are not aware of any circumstances, which would render the particulars included in the Financial Statements misleading or inaccurate.



Diane Depiazz

Chief Finance Officer

Date: 2 September 2014



Matthew Walker

Member of Busselton Water Corporation

Date: 2 September 2014



Paul Carter

Member of Busselton Water Corporation

Date: 2 September 2014



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Parliament of Western Australia

#### BUSSELTON WATER CORPORATION

##### Report on the Financial Statements

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

The financial statements comprise the Statement of Financial Position as at 30 June 2014, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

##### *Corporation's Responsibility for the Financial Statements*

The Corporation is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### *Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Corporation, as well as evaluating the overall presentation of the financial statements.

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

##### **Opinion**

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Busselton Water Corporation at 30 June 2014 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

##### Report on Controls

I have audited the controls exercised by the Busselton Water Corporation during the year ended 30 June 2014.

Controls exercised by the Busselton Water Corporation are those policies and procedures established by the Corporation to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

##### *Corporation's Responsibility for Controls*

The Corporation is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

##### *Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Busselton Water Corporation based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Corporation complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

##### **Opinion**

In my opinion, the controls exercised by the Busselton Water Corporation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2014.

##### Report on the Key Performance Indicators

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


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

##### *Corporation's Responsibility for the Key Performance Indicators*

The Corporation is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Corporation determines necessary to ensure that the key performance indicators fairly represent indicated performance.

##### *Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.



An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

***Opinion***

In my opinion, the key performance indicators of the Busselton Water Corporation are relevant and appropriate to assist users to assess the Corporation's performance and fairly represent indicated performance for the year ended 30 June 2014.

**Independence**

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

**Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators**

This auditor's report relates to the financial statements and key performance indicators of the Busselton Water Corporation for the year ended 30 June 2014 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



GLEN CLARKE  
DEPUTY AUDITOR GENERAL  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
3 September 2014

# statement of comprehensive income

For the year ended 30 June 2014

	Notes	2014 \$	2013 \$
<b>INCOME</b>			
<b>Revenue</b>			
Water Sales Revenue	6	7,932,344	6,767,045
Developer Contributions - Headworks	7	2,083,211	1,102,494
Developer Contributions - Mains	7	369,515	89,113
Interest Revenue	8	431,104	421,073
Other Revenue	9	223,885	189,256
<b>TOTAL INCOME</b>		<b>11,040,058</b>	<b>8,568,981</b>
<b>EXPENSES</b>			
Cost of Sales	10	2,865,787	3,247,890
Depreciation Expense	11	1,579,129	1,870,234
Administration Expenses	12	1,510,800	1,614,131
Finance Costs	13	112,828	122,808
Other Expenses	14	837,886	937,637
Loss on Disposal of Non-current Assets	15	22,849	41,714
Impairment of Non-current Assets	15	61,068	-
<b>TOTAL EXPENSES</b>		<b>6,990,346</b>	<b>7,834,413</b>
<b>Profit before income tax equivalent expense</b>		<b>4,049,712</b>	<b>734,567</b>
Income Tax Equivalent Expense	31	(1,228,474)	(218,638)
<b>Profit after income tax equivalent expense</b>		<b>2,821,238</b>	<b>515,929</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	29	(59,926)	1,765,388
<b>Total Other Comprehensive Income</b>		<b>(59,926)</b>	<b>1,765,388</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,761,312</b>	<b>2,281,317</b>

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



# statement of financial position

As at 30 June 2014

	Notes	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	16	917,648	1,056,842
Other Financial Assets	17	11,290,000	8,000,000
Receivables	18	2,849,942	2,423,965
Inventories	19	405,330	383,627
Other Assets	20	28,282	50,540
Current Tax Assets		-	363,560
<b>Total Current Assets</b>		<b>15,491,201</b>	<b>12,278,534</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	21	64,022,240	64,092,973
Intangible Assets	23	83,268	119,460
<b>Total Non-Current Assets</b>		<b>64,105,508</b>	<b>64,212,433</b>
<b>TOTAL ASSETS</b>		<b>79,596,709</b>	<b>76,490,967</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	25	562,850	782,472
Borrowings	26	234,665	224,306
Provisions	27	636,201	700,148
Current Tax Liabilities		752,371	-
Other Current Liabilities	28	69,061	34,060
<b>Total Current Liabilities</b>		<b>2,255,148</b>	<b>1,740,986</b>
<b>Non-Current Liabilities</b>			
Provisions	27	35,678	43,583
Borrowings	26	1,893,940	2,128,605
Deferred Tax Liabilities	31	12,286,641	12,213,803
<b>Total Non-Current Liabilities</b>		<b>14,216,259</b>	<b>14,385,991</b>
<b>TOTAL LIABILITIES</b>		<b>16,471,407</b>	<b>16,126,976</b>
<b>NET ASSETS</b>		<b>63,125,303</b>	<b>60,363,991</b>

	Notes	2014 \$	2013 \$
<b>EQUITY</b>			
	29		
Reserve Fund		9,965,467	7,982,317
Reserves		30,619,229	30,679,156
Retained Earnings		22,540,606	21,702,518
<b>TOTAL EQUITY</b>		<b>63,125,303</b>	<b>60,363,991</b>

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

# statement of changes in equity

For the year ended 30 June 2014

	Notes	Reserves \$	Retained Earnings \$	Total Equity \$
<b>Balance as at 1 July 2012</b>	<b>29</b>	<b>36,562,568</b>	<b>21,506,338</b>	<b>58,068,906</b>
Changes in accounting policy or correction of prior period errors			13,767	13,767
<b>Reinstated balance at 1 July 2012</b>		<b>36,562,568</b>	<b>21,520,105</b>	<b>58,082,673</b>
Total comprehensive income for the year		1,765,388	515,929	2,281,317
Transfers to reserves		2,221,620	(2,221,620)	-
Transfers from reserves		(1,888,103)	1,888,103	-
<b>Balance at 30 June 2013</b>		<b>38,661,472</b>	<b>21,702,519</b>	<b>60,363,991</b>
<b>Balance as at 1 July 2013</b>		<b>38,661,472</b>	<b>21,702,519</b>	<b>60,363,991</b>
Total comprehensive income for the year		(59,926)	2,821,238	2,761,312
Transfers to reserves		3,095,771	(3,095,771)	-
Transfers from reserves		(1,112,621)	1,112,621	-
<b>Balance at 30 June 2014</b>		<b>40,584,696</b>	<b>22,540,606</b>	<b>63,125,303</b>

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

# statement of cash flows

For the year ended 30 June 2014

	Notes	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Receipts from Rates & Water Sales		7,604,001	6,837,991
Interest Received		381,210	439,410
Developers Contributions		2,225,771	1,146,861
GST Receipts on Sales		35,033	21,330
GST Receipts From Taxation Authority		298,194	487,903
Other Receipts		248,750	264,969
		10,792,959	9,198,463
<b>Payments</b>			
Payment to Suppliers & Employees		(5,517,644)	(7,087,439)
Finance Costs		(112,828)	(122,808)
GST Payments on Purchases		(358,578)	(449,022)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>30</b>	<b>4,803,910</b>	<b>1,539,194</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from the Sale of Non-Current Physical Assets		19,545	30,200
Purchase of Non-Current Physical Assets		(1,350,517)	(1,546,347)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,330,972)</b>	<b>(1,516,147)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings		(224,306)	(214,089)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>(224,306)</b>	<b>(214,089)</b>

	Notes	2014 \$	2013 \$
<b>CASH FLOWS TO STATE GOVERNMENT</b>			
Taxation Equivalent		(97,825)	(370,748)
<b>NET CASH PROVIDED TO STATE GOVERNMENT</b>		<b>(97,825)</b>	<b>(370,748)</b>
Net increase / (decrease) in cash and cash equivalents		3,150,806	(561,789)
Cash and cash equivalents at the beginning of period		9,056,842	9,618,631
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>30</b>	<b>12,207,648</b>	<b>9,056,842</b>

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

## Note 1 Australian Accounting Standards

### General

Busselton Water's financial statements for the year ended 30 June 2014 have been prepared in accordance with Australian Accounting Standards. The term "Australian Accounting Standards" includes Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

Busselton Water has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

### Early Adoption of Standards

Busselton Water cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 "Application of Accounting Standards and Other Pronouncements". There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by Busselton Water for the annual reporting period ended 30 June 2014.

## Note 2 Summary of significant accounting policies

### (a) General Statement

Busselton Water is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

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

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

### (b) Basis of Preparation

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

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

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

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying Busselton Water's accounting

policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### (c) Reporting Entity

The reporting entity comprises Busselton Water.

Busselton Water operates in the one geographical segment, that being Busselton, Western Australia, and in the one business segment being water services.

Busselton Water is a Water Corporation, established by the *Water Corporations Act 1995* on 18 November 2013 and operates under a licence issued by the Economic Regulation Authority for the provision of water services within the Busselton Operating Area.

The Corporation considers that there is one program within its function and that is the provision of water services and therefore these financial statements reflect this program.

### (d) Income

#### Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

#### Water sales revenue

Revenue from water usage is based on water consumed by customers and other rates and charges are based on amounts levied and billed for the period. Water sales revenue also includes an estimate for the value of water consumed but not billed at balance date.

#### Interest

Revenue is recognised as the interest accrues.

#### Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when Busselton Water obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

#### Other fees and charges

Revenue from other fees and charges includes backflow testing fees, statement of meter readings, penalties raised, private works and other miscellaneous revenue received.

#### Gains

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.



### (e) Income Tax

Busselton Water operates within the national tax equivalent regime (NTER) whereby an equivalent amount in respect of income tax is payable to the Treasury. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

As a consequence of participation in the NTER, Busselton Water is required to comply with AASB 112 *"Income Taxes"*.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Current and deferred tax balances attributable to amounts recognised in other comprehensive income are recognised in other comprehensive income, and directly in equity are recognised directly in equity.

### (f) Borrowings

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

### (g) Property, Plant & Equipment and Infrastructure

#### *Capitalisation/Expensing of Assets*

Items of property, plant and equipment, and infrastructure costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

The current Operating Licence for Busselton Water expires on 1 October 2021. However, Busselton Water views useful life to relate to the full useful life over which the assets will be utilised.

#### *Initial recognition and measurement*

Property, plant and equipment and infrastructure are initially recognised at cost.

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

#### *Subsequent measurement*

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

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

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

Land and buildings are independently valued every three years to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period. Land and buildings recorded at fair value are based on independent valuations performed by AON International Valuation Consultants as at 30 June 2013.

Fair value of property, plant and equipment and infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. Land under infrastructure is included in land reported under note 21 'Property, plant and equipment'. Property, plant and equipment and Infrastructure recorded at fair value are based on independent valuations performed by AON International Valuation Consultants as at 30 June 2013.

Where property, plant and equipment and infrastructure is revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

#### *Derecognition*

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

#### *Asset revaluation surplus*

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described in note 21 'Property, plant and equipment'.

#### *Depreciation*

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

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

	Life
Buildings	3 to 40 Years
Land Improvements	2 to 30 Years
Meters	8 to 10 Years
Mains and Services	70 to 80 Years
Motor Vehicles	7 to 20 Years
Office Equipment	2 to 13 Years
Plant	2 to 60 Years
Tools	3 to 16 Years

Land is not depreciated.

#### **(h) Intangible Assets**

##### *Capitalisation/Expensing of Assets*

Acquisitions of intangible assets costing \$5,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below \$5,000 are immediately expensed directly to the Statement of Comprehensive Income

##### *Computer Software*

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is immediately expensed directly to the Statement of Comprehensive Income.

#### **(i) Impairment of Assets**

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

revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As Busselton Water is a not for profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

#### **(j) Leases**

Busselton Water has entered into a number of operating lease arrangements for office equipment where the lessor effectively retains the entire risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Comprehensive Income over the lease term as this represents of the pattern of benefits derived from the leased property.

#### **(k) Financial Instruments**

In addition to cash and bank overdraft, Busselton Water has three categories of financial instrument:

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

Financial instruments have been disaggregated into the following classes:

##### Financial Assets

- Cash and cash equivalents
- Receivables
- Term deposits

##### Financial Liabilities

- Payables
- WATC borrowings

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

#### **(l) Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

#### **(m) Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate for each particular class of inventory, with the majority being valued on a weighted average cost basis.

#### **(n) Receivables**

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment).

The collectability of trade receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that Busselton Water will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

#### **(o) Investments and other financial assets**

Busselton Water classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at the end of each reporting. Investments not at fair value are initially recognised at cost being the fair value of consideration given, including directly attributable transaction costs.

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held-to-maturity when management has a positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Loans and receivables and held-to-maturity investments, such as commercial bills, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in profit

or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Busselton Water assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

#### **(p) Payables**

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

#### **(q) Borrowings**

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

#### **(r) Provisions**

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

##### Provisions - employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

##### *Annual leave*

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

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

The provision for annual leave is classified as a current liability as Busselton Water does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

##### *Long Service Leave*

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

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

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

#### *Sick Leave*

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

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

The provision for sick leave is classified as a current liability as Busselton Water does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Busselton Water's Enterprise Agreement states that "Upon resignation/retirement (other than for legitimate dismissal) or death, an employee or his/her next of kin is to be paid for any Personal/Carer's Leave credits which have been accumulated since employment commenced at 100% of the rate of pay current at the time of resignation, retirement or death. This is capped at 1976 hours. This entitlement is not available to employees whose employment with Busselton Water ends during a probationary period".

#### *Superannuation*

Contributions are made to WA Super which exists to provide a defined contribution benefit for employees and their dependents on retirements, disability or death.

Busselton Water's liability for superannuation charges is extinguished by monthly payments of employer contributions to WA Super.

#### Provisions - Other

##### *Employment on-costs*

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they

relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of Busselton Water's 'Administration Costs'. The related liability is included in 'Employment on-costs provision'.

#### **(s) Comparative Figures**

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

#### **Note 3 Judgements made by management in applying accounting policies**

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

##### Operating lease commitments

Busselton Water has entered into a number of leases for computing equipment. These leases are of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

##### Adoption of revaluation versus cost basis for plant and equipment

Busselton Water adopts the cost basis and revaluation basis of accounting for valuing non-current assets. Non-cash developer contributed infrastructure assets are originally based on cost, based on the contractual value of the works transferred to Busselton Water. Subsequent measurement of these assets utilises the revaluation model.

#### **Note 4 Key sources of estimation uncertainty**

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

Busselton Water calculates unbilled water revenue using a combination of actual and estimated monthly water usage and revenue. Estimate monthly water usage is based on historical patterns. The actual price relating to volumetric water usage is applied to the estimated water volumes.

##### *Long Service Leave, Annual Leave and Sick Leave*

Several estimations and assumptions used in calculating Busselton Water's long service leave, annual leave and sick leave provisions include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave, annual leave and sick leave provisions.



## Note 5 Disclosure of changes in accounting policy and estimates

### Initial application of an Australian Accounting Standard

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

#### AASB 13 Fair Value Measurement

This Standard defines fair value, sets out a framework for measuring fair value and requires additional disclosures for assets and liabilities measured at fair value. There is no financial impact.

#### AASB 119 Employee Benefits

This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements.

Busselton Water assessed employee leave patterns to determine whether annual leave and sick leave is a short-term or other long-term employee benefit. The resultant discounting of annual leave and sick leave liabilities that were previously measured at the undiscounted amounts is not material.

#### AASB-1048 Interpretation of Standards

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

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

This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.

#### AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]

This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.

#### AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There is no financial impact.

#### AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]

This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.

#### AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]

This Standard amends the mandatory effective date of AASB 9 Financial Instruments to 1 January 2015 (instead of 1 January 2013). Further amendments are also made to numerous consequential amendments arising from AASB 9 that will now apply from 1 January 2015. There is no financial impact.

#### AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Int 1039

The withdrawal of Int 1039 Substantive Enactment of Major Tax Bills in Australia has no financial impact for Busselton Water during the reporting period and at balance date. Measurement of tax assets and liabilities continues to be measured in accordance with enacted or substantively enacted tax law pursuant to AASB 112.46-47.

#### AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049, & 2011-7 and Int 12]

The Standard introduces a number of editorial alterations and amends the mandatory application date of Standards for not-for-profit entities accounting for interests in other entities. There is no financial impact.

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

Part A of this omnibus Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for periods ending on or after 20 December 2013. Other Parts of this Standard become operative in later periods. There is no financial impact for Part A of the Standard.

### Correction of prior period errors

Effective from 1 July 2013, Busselton Water has accrued wages and salaries.

Retrospective application of the correction of prior period errors has resulted in liabilities amounting to \$19,455 being adjusted in the opening balance of accumulated surplus (deficiency) as at 1 July 2012.

Management takes the view that this correction provides reliable and more relevant information because it reflects the true cost of payables.

### Future impact of Australian Accounting Standards not yet operative

Busselton Water cannot early adopt an Australian Accounting Standard unless specifically permitted by *TI 1101 Application of Australian Accounting Standards and Other Pronouncements*. Consequently, Busselton Water has not applied early any of the following Australian Accounting Standards that have been issued that may impact Busselton Water. Where applicable, Busselton Water plans to apply these Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
<i>Int 21</i>	<i>Levies</i>	1 Jan 2014
	This Interpretation clarifies the circumstances under which a liability to pay a government levy imposed should be recognised. There is no financial impact for Busselton Water at reporting date.	
<i>AASB 9</i>	<i>Financial Instruments</i>	1 Jan 2017
	This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.	
	The mandatory application date of this Standard was amended to 1 January 2017. Busselton Water has not yet determined the application or the potential impact of the Standard.	
<i>AASB 1031</i>	<i>Materiality</i>	1 Jan 2014
	This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality that is not available in IFRSs and refers to other Australian pronouncements that contain guidance on materiality. There is no financial impact.	
<i>AASB 1055</i>	<i>Budgetary Reporting</i>	1 Jul 2014
	This Standard requires specific budgetary disclosures in the financial statements of not-for-profit entities within the General Government Sector. Busselton Water will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.	
<i>AASB 2009-11</i>	<i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 &amp; 1038 and Int 10 &amp; 12]</i>	1 Jan 2015

<i>AASB 2010-7</i>	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</i>	1 Jan 2015
	This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.	
	Busselton Water has not yet determined the application or the potential impact of the Standard.	
<i>AASB 2012-3</i>	<i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i>	1 Jan 2014
	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	
	Busselton Water does not routinely hold financial assets and financial liabilities that it intends to settle on a net basis, therefore there is no financial impact.	
<i>AASB 2013-3</i>	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	1 Jan 2014
	This Standard introduces editorial and disclosure changes. There is no financial impact.	
<i>AASB 2013-9</i>	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.</i>	1 Jan 2014 1 Jan 2017
	This omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014 (Part B), and, defers the application of AASB 9 to 1 January 2017 (Part C). Busselton Water has not yet determined the application or the potential impact of AASB 9, otherwise there is no financial impact for Part B.	

## 6. WATER SALES REVENUE

	2014	2013
	\$	\$
Water Consumption	5,066,271	4,276,919
Connection Fees	448,206	238,470
Standard Supply Charge	2,363,247	2,202,015
Meter Reading Charges	19,590	17,697
Other Water Sales	35,031	31,945
	<u>7,932,344</u>	<u>6,767,045</u>

## 7. DEVELOPER CONTRIBUTIONS

	2014	2013
	\$	\$
Headworks contributions - Cash	<u>2,083,211</u>	<u>1,102,494</u>
	<u>2,083,211</u>	<u>1,102,494</u>
Developer mains contributions - Cash	142,560	44,367
Developer mains contributions - Non-Cash	226,955	44,746
	<u>369,515</u>	<u>89,113</u>

## 8. INTEREST REVENUE

	2014	2013
	\$	\$
Busselton Water invested excess funds and received the following interest:		
Interest on Water Fund	58,583	45,392
Interest on Reserves	<u>372,520</u>	<u>375,681</u>
	<u>431,104</u>	<u>421,073</u>

## 9. OTHER REVENUE

	2014	2013
	\$	\$
Backflow Prevention Device Testing Fees	29,425	26,059
Private Works & Sundry Income	24,985	27,385
Operating lease revenue	11,087	10,712
Meter Reading	52,996	42,405
Other Receipts & Services	<u>105,391</u>	<u>82,694</u>
	<u>223,885</u>	<u>189,256</u>

Busselton Water holds a long term operating lease with payments receivable annually for a telecommunications tower located on one of Busselton Water's facilities. The minimum lease payments receivable are as follows:

Operating lease revenue		
Minimum lease revenue as follows:		
Within 1 year	11,475	11,087
Later than 1 year and not later than 5 years	50,060	48,367
Later than 5 years	<u>13,629</u>	<u>13,168</u>
	<u>75,164</u>	<u>72,622</u>

## 10. COST OF SALES

	2014	2013
	\$	\$
Pumping	724,521	584,497
Maintenance: General Production Plant	1,036,076	1,168,479
Mains & Meters	556,755	558,660
Net Vehicle Running Expenses	44,396	1,328
Net Public Works Overhead	(81,331)	231,524
Net Stock Allocated	(2,865)	21,226
Meter Reading Costs	18,559	17,261
Water Sampling & Monitoring Fees	569,676	664,914
	<u>2,865,787</u>	<u>3,247,890</u>

## 11. DEPRECIATION EXPENSE

	2014	2013
	\$	\$
Freehold Land Improvements	48,830	37,175
Plant, Machinery and Buildings	646,392	831,268
Motor Vehicles	53,700	98,734
Mains and Services	657,345	575,700
Meters	121,005	273,838
Tools	6,851	5,696
Office Equipment	45,006	47,823
	<u>1,579,129</u>	<u>1,870,234</u>

## 12. ADMINISTRATION EXPENSES

	2014	2013
	\$	\$
Salaries	978,155	1,067,016
Salary on Costs & Staff Expenses	108,970	118,635
Office Expenses	313,499	315,812
Stationery & Printing	19,532	27,660
Advertising	402	4,552
Bank Charges	26,624	23,584
Audit Fees	62,709	43,790
Legal Expenses	907	13,080
	<u>1,510,800</u>	<u>1,614,131</u>

## 13. FINANCE COSTS

	2014	2013
	\$	\$
Loan Guarantee Fee	9,816	9,898
Interest Expense	<u>103,012</u>	<u>112,910</u>
	<u>112,828</u>	<u>122,808</u>

## 14. OTHER EXPENSES

	2014	2013
	\$	\$
Members Expenses	64,697	67,633
Other Governance	91,223	102,856
Pensioner Rate Rebate	380,838	334,268
Consulting Fees	67,499	165,027
Private Works	50,487	54,247
Other Costs & Staff Expenses	154,466	167,184
Sundry Expenditure	<u>28,677</u>	<u>46,421</u>
	<u>837,886</u>	<u>937,637</u>

## 15. NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

	2014	2013
	\$	\$
<u>Cost of Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	(42,395)	(71,914)
<u>Proceeds from Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	19,545	30,200
<u>Net (loss)</u>	<u>(22,849)</u>	<u>(41,714)</u>
<u>Impairment Losses</u>	61,068	-

As at 30 June 2014, preliminary works for Mains and Services held in Capital Works in Progress were identified as impaired.

# 16. CASH AND CASH EQUIVALENTS

	2014 \$	2013 \$
<u>Water Fund Cheque Account (at 2.25% as at 30.06.2014)</u>	274,433	476,778
The Corporation has an overdraft limit of \$15,000 on this account.		
<u>24 Hour Cash Call Account (at 2.4% as at 30.06.2014)</u>	642,114	578,964
<u>Cash on Hand</u>	1,100	1,100
	<u>917,648</u>	<u>1,056,842</u>

# 17. OTHER FINANCIAL ASSETS

	2014 \$	2013 \$
<u>Fixed Term Deposits Held to Maturity</u>		
Reserve Investments: (at 3.84% average)	10,000,000	7,800,000
Water Fund Investments: (at 3.9% average)	1,290,000	200,000
	<u>11,290,000</u>	<u>8,000,000</u>

# 18. RECEIVABLES

	2014 \$	2013 \$
Includes all amounts due to Busselton Water from operations.		
Rates/Std Supply Charge Debtors	682,580	617,465
Excess Water/Consumption Debtors	1,795,441	1,537,523
Deferred Rates/Charges	5,784	5,784
Late Payment Penalty	8,184	5,387
Fire Services	10,953	9,896
Settlement Reading Fees	5,375	4,898
Miscellaneous Fees	2,027	1,048
Sundry Debtors	73,674	63,064
GST (Net Receivable from ATO)	69,948	48,365
Miscellaneous Debtors	195,975	130,535
	<u>2,849,942</u>	<u>2,423,965</u>

There were no indications of impairment to Receivables.

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

# 19. INVENTORIES

	2014 \$	2013 \$
<u>Current</u>		
Raw Materials and Stores (at cost)	405,330	383,627

# 20. OTHER ASSETS

	2014 \$	2013 \$
Prepayments	28,282	50,540

# 21. PROPERTY, PLANT AND EQUIPMENT

	2014 \$	2013 \$
Land at Fair Value	3,871,000	3,871,000
Capital Works in Progress	692,967	405,408
Freehold Land Improvements at Fair Value	637,300	637,300
Accumulated Depreciation	(48,830)	-
	<u>588,470</u>	<u>637,300</u>
Plant & Machinery at Fair Value	13,816,711	13,554,324
Accumulated Depreciation	(544,404)	-
	<u>13,272,307</u>	<u>13,554,324</u>
Buildings at Fair Value	2,423,682	2,409,900
Accumulated Depreciation	(100,702)	-
	<u>2,322,980</u>	<u>2,409,900</u>
Motor Vehicles at Fair Value	620,590	612,000
Accumulated Depreciation	(53,700)	-
	<u>566,890</u>	<u>612,000</u>
Mains and Services at Fair Value	39,798,205	39,268,331
Accumulated Depreciation	(657,345)	-
	<u>39,140,861</u>	<u>39,268,331</u>
Meters at Fair Value	3,603,917	3,243,160
Accumulated Depreciation	(121,005)	-
	<u>3,482,911</u>	<u>3,243,160</u>
Tools at Fair Value	50,250	50,250
Accumulated Depreciation	(6,851)	-
	<u>43,399</u>	<u>50,250</u>
Office Equipment & Furniture at Fair Value	49,269	41,300
Accumulated Depreciation	(8,814)	-
	<u>40,455</u>	<u>41,300</u>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<u>64,022,240</u>	<u>64,092,973</u>



## 21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land recorded at fair value is on the basis of an independent valuation provided by AON International Valuation Consultants (AON) as at 30 June 2013.

All other classes of property, plant and equipment and infrastructure recorded at fair value are based on an independent valuation by AON as at 30 June 2013. The fair values determined by AON were calculated with reference to depreciated replacement costs.

These classes of property, plant & equipment represent the fair values as determined by AON less accumulated depreciation from the date of the valuations.

Information on fair value measurements is provided in Note 22.

### Reconciliation of Carrying Amount

Reconciliations of the carrying amounts for each class of property, plant & equipment between the beginning and the end of the reporting period are set out below:

	Carrying Amt At Beginning of Period	Additions	Transfers	Disposals/ W'downs	Depreciation	Impairment Losses	Revaluation Adjustment	Carrying Amt at End of Period
<b>2014</b>								
Land at Fair Value	3,871,000							3,871,000
Freehold Land								
Improvements	637,300				(48,830)			588,470
Capital Works in								
Progress	405,408	526,365	(177,738)			(61,068)		692,967
Plant & Machinery	13,554,324	181,931	99,136	(17,395)	(545,689)			13,272,307
Buildings	2,409,900	13,782			(100,702)			2,322,980
Motor Vehicles	612,000	33,590		(25,000)	(53,700)			566,890
Mains & Services	39,268,331	453,079	78,601		(657,345)	(1,806)		39,140,861
Meters	3,243,160	360,757			(121,005)			3,482,911
Tools	50,250				(6,851)			43,399
Office Equipment	41,300	7,969			(8,814)			40,455
	<u>64,092,973</u>	<u>1,577,472</u>	<u>-</u>	<u>(42,395)</u>	<u>(1,542,937)</u>	<u>(62,874)</u>	<u>-</u>	<u>64,022,240</u>
<b>2013</b>								
Land at Fair Value	3,871,000							3,871,000
Freehold Land								
Improvements	548,438				(37,175)		126,037	637,300
Capital Works in								
Progress	311,196	298,717	(204,504)					405,408
Plant & Machinery	13,455,845	491,363	(54,340)	(4,745)	(742,876)		409,076	13,554,324
Buildings	2,253,297		121,233	(4,400)	(88,393)		128,163	2,409,900
Motor Vehicles	694,450	54,089		(58,433)	(98,734)		20,628	612,000
Mains & Services	38,183,148	447,750	141,893		(575,700)		1,071,240	39,268,331
Meters	2,329,484	275,365			(273,838)		912,150	3,243,160
Tools	48,846		(4,282)		(5,696)		11,383	50,250
Office Equipment	40,567	18,460		(4,336)	(8,367)		(5,023)	41,300
	<u>61,736,270</u>	<u>1,585,743</u>	<u>-</u>	<u>(71,914)</u>	<u>(1,830,779)</u>	<u>-</u>	<u>2,673,652</u>	<u>64,092,973</u>

## 22. FAIR VALUE MEASUREMENTS

Assets measured at fair value:

### 2014

Land at Fair Value  
Freehold Land  
Improvements  
Plant & Machinery  
Buildings  
Motor Vehicles  
Mains & Services  
Meters  
Tools  
Office Equipment  
Intangible Assets

Level 1	Level 2	Level 3	Fair value
			<u>At end of period</u>
\$	\$	\$	\$
	1,400,000	2,471,000	3,871,000
		588,470	588,470
		13,272,307	13,272,307
		2,322,980	2,322,980
		566,890	566,890
		39,140,861	39,140,861
		3,482,911	3,482,911
		43,399	43,399
		40,455	40,455
		83,268	83,268
-	1,400,000	62,012,540	63,412,540

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

### Valuation techniques to derive Level 2 fair values

Level 2 fair values for Land are derived using the market approach. Land values are based on achieved land sale prices of comparable properties to determine price per square metre. Values for each asset were based on information gathered from discussions with local agents and valuers in the area.

### Fair value measurements using significant unobservable inputs (Level 3)

	Land	Freehold Land Improvements	Plant and Machinery	Buildings	Motor Vehicles	Mains and Services	Meters	Tools	Office Equipment	Intangible Assets
2014	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fair value at start of period	2,471,000	637,300	13,554,324	2,409,900	612,000	39,268,331	3,243,160	50,250	41,300	119,460
Additions			181,931	13,782	33,590	453,079	360,757		7,969	
Transfers (from/(to) WIP			99,136			78,601				
Revaluation increments/(decrements) recognised in Profit or Loss										
Revaluation increments/(decrements) recognised in Other Comprehensive Income						(1,806)				
Transfers (from/(to) Level 2)										
Disposals			(17,395)		(25,000)					
Depreciation Expense		(48,830)	(545,689)	(100,702)	(53,700)	(657,345)	(121,005)	(6,851)	(8,814)	(36,192)
Fair value at end of period	2,471,000	588,470	13,272,307	2,322,980	566,890	39,140,861	3,482,911	43,399	40,455	83,268
Total gains or losses for the period included in profit or loss, under 'Loss on Disposal and Impairment'			17,395		5,455					
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period										

## 22. FAIR VALUE MEASUREMENTS (CONTINUED)

### Fair value measurements using significant unobservable inputs (Level 3)

#### Valuation processes

There were no changes in valuation techniques during the period.

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

Fair value for existing use specialised freehold land improvements, plant and machinery, buildings, motor vehicles, mains and services, meter assets, tools, office equipment and intangible assets is determined by reference to the cost of replacing the remaining future economic benefits in the asset i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market-observable replacement cost of a substitute asset of comparable utility and the gross project size specifications. For some specialised buildings and infrastructure assets, the current replacement cost is determined by reference to the historical cost adjusted by relevant indices.

#### Significant Level 3 inputs used by Busselton Water are derived and evaluated as follows:

Consumed economic benefit/obsolescence of asset

These are estimated by AON International Valuation Consultants

Selection of land with restricted utility

Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by AON International Valuation Consultants.

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

Description	Fair Value as at 30 June 2014 \$	Valuation techniques	Unobservable inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Land	2,471,000	Market approach	Selection of land with similar approximate utility	\$6.13 - \$39.66 per m <sup>2</sup> (\$26.61 per m <sup>2</sup> )	Higher value of similar land increases estimated fair value
Freehold Land Improvements	588,470	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset	0.14% to 8.39% per year (0.57% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Plant & Machinery	13,272,307	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset	0.02% to 50.55% per year (0.42% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value

## 22. FAIR VALUE MEASUREMENTS (CONTINUED)

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

Description	Fair Value as at 30 June 2014 \$	Valuation techniques	Unobservable inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Buildings	2,322,980	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset	0.08% to 50.69% per year (0.31% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Motor Vehicles	566,890	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset	0.37% to 53.68% per year (1.46% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Mains & Services	39,140,861	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset	0.02% to 0.06% per year (0.02% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Meters	3,482,911	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset	0.02% to 0.42% per year (0.13% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value



## 22. FAIR VALUE MEASUREMENTS (CONTINUED)

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

Description	Fair Value as at 30 June 2014 \$	Valuation techniques	Unobservable inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Tools	43,399	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset	0.18% to 71.01% per year (1.49% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Office Equipment	40,455	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset	0.37% to 32.24% per year (2.58% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Intangible Assets	83,268	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset	4.71% to 45.4% per year (13.19% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value

Reconciliation of the opening and closing balances are provided in Note 21 and 23

### Basis of Valuation

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

## 23. INTANGIBLE ASSETS

	2014 \$	2013 \$
Computer Software		
At Fair Value	119,460	119,460
Accumulated amortisation	(36,192)	-
	<u>83,268</u>	<u>119,460</u>
<b>Reconciliations:</b>		
Carrying amount at start of period	119,460	208,911
Additions		5,350
Classified as held for sale		
Revaluation increments/(decrements)		(55,345)
Impairment losses recognised in Statement of Comprehensive Income		
Impairment losses reversed in Statement of Comprehensive Income		
Amortisation expense	(36,192)	(39,455)
<b>Carrying amount at end of period</b>	<u>83,268</u>	<u>119,460</u>

## 24. IMPAIRMENT OF ASSETS

As at 30 June 2014, preliminary works for Mains and Services held in Capital Works in Progress were identified as impaired. The value of the impairment has been recognised as follows:

Impairment loss	61,068
Revaluation decrement in other comprehensive income	1,806
	<u>62,874</u>

Busselton Water held no goodwill or intangible assets with a indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

All surplus assets as at 30 June 2014 have either been classified as assets held for sale or written-off.

## 25. PAYABLES

	2014 \$	2013 \$
Payables for goods and services received. The carrying amounts of payables approximate their net fair values.		
Trade Creditors	363,923	483,666
Payroll Creditors	38,100	43,382
Miscellaneous Creditors	160,827	255,424
	<u>562,850</u>	<u>782,472</u>

Effective from 1 July 2013, Busselton Water has accrued wages and salaries. Comparatives for 2013 have been restated to disclose the effect of the correction.

## 26. BORROWINGS

	2014 \$	2013 \$
<b>Current</b>		
WATC Loan	234,665	224,306
<b>Total current</b>	<u>234,665</u>	<u>224,306</u>

### Non-Current

WATC Loan	1,893,940	2,128,605
<b>Total Non-current</b>	<u>1,893,940</u>	<u>2,128,605</u>

## 27. PROVISIONS

	2014	2013
<b>Current</b>		
Annual leave <sup>(a)</sup>	167,932	188,934
Long service leave <sup>(b)</sup>	83,146	93,903
Sick leave <sup>(c)</sup>	325,450	338,845
	<u>576,528</u>	<u>621,682</u>
Employment on-costs <sup>(d)</sup>	59,672	78,466
	<u>636,201</u>	<u>700,148</u>

Sick leave provisions and employment on-costs have been reinstated due to discounting of liabilities that were previously measured at the undiscounted amounts.

### Non-current

Long service leave <sup>(b)</sup>	29,956	36,671
Employment on-costs <sup>(d)</sup>	5,722	6,912
	<u>35,678</u>	<u>43,583</u>
Aggregate employee benefit liability	671,879	743,731
Number of employees at year end	25	30

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

Within 12 months of the end of the reporting period	134,346	158,737
More than 12 months after the end of the reporting period.	33,586	30,197
	<u>167,932</u>	<u>188,934</u>

## 27. PROVISIONS (CONTINUED)

(b) Long service leave liabilities that have been classified as current are where there is no unconditional right to defer settlement for at least 12 months after the reporting period.

Assessments indicate that actual settlement of total liabilities will occur as follows:

Within 12 months of the end of the reporting period	17,605	19,444
More than 12 months after the end of the reporting period.	95,497	111,130
	<u>113,102</u>	<u>130,574</u>

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

Within 12 months of the end of the reporting period	36,366	37,091
More than 12 months after the end of the reporting period.	289,084	301,754
	<u>325,450</u>	<u>338,845</u>

(d) The settlement of annual leave, long service leave and sick leave gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. The provision is measured at the present value of future payments.

## 28. OTHER LIABILITIES

	2014	2013
	\$	\$
Monies in Trust	49,772	21,009
Income in Advance	19,289	13,050
	<u>69,061</u>	<u>34,060</u>

## 29. EQUITY

The Government holds the equity interest in Busselton Water on behalf of the community. Equity represents the residual interest in the net assets of Busselton Water. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

	2014	2013
	\$	\$
<u>General Reserve Fund</u>		
Balance at start of period	7,982,317	7,648,799
<u>Less: Transfers to Retained Profits</u>	<u>(1,112,621)</u>	<u>(1,888,103)</u>
<u>Add: Transfers from Retained Profits</u>	<u>3,095,771</u>	<u>2,221,620</u>
Balance at end of period	<u>9,965,467</u>	<u>7,982,317</u>

Eric Ripper MLA, Deputy Premier and Treasurer approved the amalgamation of all prior reserve accounts and fund balances into a single new Reserve Account, in a letter addressed to Busselton Water dated May 2006. The funds are reserved for staff liabilities, infrastructure funding, plant funding, contingencies and other future projects.

## Asset Revaluation Reserve Fund

	2014	2013
	\$	\$
<b>Balance at start of period</b>	<u>30,679,156</u>	<u>28,913,769</u>
<b>Net revaluation increments/(decrements)</b>		
Land improvements	-	126,037
Deferred Tax Land Improvements	13,608	(30,628)
Plant and Machinery	-	409,076
Deferred Tax Plant and Machinery	(50,083)	(32,266)
Buildings	-	128,163
Deferred Tax Buildings	26,076	(46,981)
Motor Vehicles	-	20,628
Deferred Tax Motor Vehicles	(16,971)	(16,439)
Mains and Services	(1,806)	1,071,240
Deferred Tax Mains and Services	51,588	(301,191)
Meters	-	912,150
Deferred Tax Meters	21,324	(284,197)
Tools	-	11,383
Deferred Tax Tools	1,514	(3,174)
Office Equipment	-	(60,369)
Deferred Tax Office Equipment	(7,183)	583
Deferred Tax Low Value Pool	(97,993)	(138,626)
Deferred income tax (note 31 "Taxation equivalents")	<u>(59,926)</u>	<u>1,765,388</u>
<b>Balance at end of period</b>	<u>30,619,229</u>	<u>30,679,156</u>

## RETAINED EARNINGS

	2014	2013
	\$	\$
Balance at Start of Period	21,702,518	21,506,338
Net effect of changes in accounting policy or correction of prior period errors		13,767
Restated Balance at Start of Period	21,702,518	21,520,105
Result for the Period	2,821,238	515,929
Add Transfers From Reserves	1,112,621	1,888,103
Less Transfers to Reserves	(3,095,771)	(2,221,620)
Balance at End of Period	<u>22,540,606</u>	<u>21,702,518</u>

### 30. NOTES TO THE STATEMENT OF CASH FLOWS

#### Reconciliation of Cash

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

	2014	2013
	\$	\$
Cash and cash equivalents	917,648	1,056,842
Other Financial Assets	11,290,000	8,000,000
	<u>12,207,648</u>	<u>9,056,842</u>

#### Reconciliation of profit after Income Tax Equivalent to net cash flows provided by/(used in) operating activities

	2014	2013
	\$	\$
Profit after Income Tax Equivalents	2,821,238	515,929

#### Non-cash Items:

Depreciation	1,579,129	1,870,234
Loss on Sale of Assets	22,849	41,714
Impairment Losses	61,068	-
Less Developer Contributed Assets	(226,955)	(44,746)
Income Tax Expense	1,228,474	218,638

#### (Increase)/decrease in assets:

Current Receivables	(368,432)	160,062
Current Inventories	(21,703)	(56,115)

#### Increase/(decrease) in liabilities:

Current Payables <sup>(a)</sup>	(90,409)	(869,122)
Current Provisions	(63,947)	(60,911)
Non-Current Provisions	(7,905)	(4,279)
Net GST receipts/(payments)- <sup>(b)</sup>	(25,351)	60,212
Change in GST in receivables/payables <sup>(c)</sup>	(104,146)	(292,422)

<b>Net cash provided by/(used in) operating activities</b>	<b><u>4,803,910</u></b>	<b><u>1,539,194</u></b>
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(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e. cash transactions

(c) This reverses out the GST in receivables and payables.

### 31. TAXATION EQUIVALENTS

	2014	2013
	\$	\$
(a) Income Tax Expense		
<i>Current income</i>		
Current income tax charge	1,213,756	251,819
Adjustments in respect of current income tax of previous years		
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	14,718	(33,181)
Total Income tax expense	<u>1,228,474</u>	<u>218,638</u>
(b) Amounts recognised in other comprehensive income		
<i>Deferred income tax</i>		
Unrealised gain on available for sale financial assets	58,120	852,919
Income tax benefit recognised in other comprehensive income	<u>58,120</u>	<u>852,919</u>
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax equivalents	4,049,712	734,567
Tax at the statutory income tax rate of 30% (2013: 30%)	1,224,880	220,370
Under (over) provisions in prior periods	(10,418)	(11,127)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	14,012	9,395
Total Income Tax Expense	<u>1,228,474</u>	<u>218,638</u>

### 31. TAX EQUIVALENTS (CONTINUED)

(d) Deferred Income Tax

	<u>Statement of Financial Position</u>		<u>Statement of Comprehensive</u> <u>Income</u>	
	2014	2013	2014	2013
	\$	\$	\$	\$
<u>Deferred income tax assets</u>				
Provisions - employee benefits	201,563	233,086	31,523	19,557
Accrued Superannuation	414	109	(305)	(3)
Gross deferred income tax assets	<u>201,977</u>	<u>233,195</u>		
<u>Deferred income tax liabilities</u>				
Revaluation of land, property, plant & equipment infrastructure	12,432,514	12,374,394	58,120	852,919
Developer contributions	15,419	46,887	(31,468)	(47,088)
Interest receivable	40,685	25,717	14,968	(5,647)
Gross deferred income tax liabilities	<u>12,488,618</u>	<u>12,446,998</u>		
Deferred income tax expense			<u>72,838</u>	<u>819,738</u>

### 32. REMUNERATION OF AUDITOR

	2014	2013
	\$	\$
Remuneration payable to the Auditor General in respect to the audit for the current financial year is as follows		
Auditing the accounts, financial statements and performance indicators	<u>37,500</u>	<u>35,650</u>
	<u>37,500</u>	<u>35,650</u>



### 33. REMUNERATION OF SENIOR OFFICERS

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

	2014	2013
\$		
\$40,001 - \$50,000	-	1
\$80,001 - \$90,000	1	-
\$100,001 - \$110,000	-	2
\$110,001 - \$120,000	-	1
\$120,001 - \$130,000	2	-
\$130,001 - \$140,000	-	2
\$140,001 - \$150,000	-	1
\$250,001 - \$260,000	1	-
\$	\$	\$
Base remuneration and superannuation	599,722	744,407
Annual leave and long service leave accruals	(42,470)	32,387
Other benefits	34,463	10,327
<b>Total remuneration of senior officers</b>	<b>591,715</b>	<b>787,121</b>

2013 and 2014 includes termination payments.

The main change in the bands is due to the resignation of two senior officers in July and August 2012 [including the Chief Executive Officer (CEO)]. There was an acting CEO between July 2012 to January 2013. A new CEO was appointed in January 2013. There was also two resignations of senior officers in April and May 2014.

### REMUNERATION OF MEMBERS OF THE ACCOUNTABLE AUTHORITY

The number of members of the Board whose total of fees, allowances, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

	2014	2013
\$		
\$0 - \$10,000	5	5
\$10,001 - \$20,000	1	1
\$	\$	\$
Base remuneration and superannuation	29,840	27,660

The current Board includes a public service officer who does not receive any remuneration.

### 34. SUPPLEMENTARY FINANCIAL INFORMATION

	2014	2013
\$	\$	\$
<b>Write Offs</b>		
Ex gratia water allowances	52,820	41,111
	<b>52,820</b>	<b>41,111</b>

### 35. EXPLANATORY STATEMENT

Significant variations between estimates and actual results for 2014 and between the actual results of 2013 and 2014 are shown below. Significant variations are considered to be those greater than 10% and greater than \$10,000.

#### (a) Significant variances between actual results for 2013 and 2014

	VARIANCE	ACTUAL 2014	ACTUAL 2013
	\$	\$	\$
<b>REVENUE ITEMS</b>			
<u>Water Consumption</u>			
Water Consumption is based on the Economic Regulation Pricing for 2013/14 (6.8% increase). Also increased water consumption and bulk water sales due to a drier climate.	789,352	5,066,271	4,276,919
<u>Connection Fees</u>			
Increase in land developments	209,736	448,206	238,470
<u>Developer Contributions - Headworks</u>			
The increase is due to headworks contributions for a number of large land developments	980,717	2,083,211	1,102,494
<u>Developer Contributions - Mains</u>			
The increase is due to developer mains contributions for a number of large land developments	280,402	369,515	89,113
<u>Meter Reading</u>			
Increase in statement of water tariffs due to land development	10,591	52,996	42,405
<u>Other Receipts &amp; Services</u>			
Increase in availability rate for electricity rebates backdated to 2012/13 and a workers compensation performance adjustment in 2014	22,697	105,391	82,694
<u>Proceeds from Disposal on Non-Current Assets</u>			
Vehicles and plant ordered but not delivered before year end and changeover of other vehicles deferred until 2014/15	(10,655)	19,545	30,200
<b>EXPENDITURE ITEMS</b>			
<u>Net Vehicle Running Expenses</u>			
Wages and overheads for maintenance of works plant has increased due to regular safety checks. Higher insurance costs due to a performance adjustment for motor vehicles.	43,068	44,396	1,328
<u>Water Sampling and Monitoring Fees</u>			
A casual Water Quality Officer was employed for part of the year in 2013 to assist with chlorination issues and a change in the sampling program in 2014	(95,238)	569,676	664,914
<u>Net Public Works Overhead</u>			
Reduced expenditure in 2014 for consulting expenses and IT, salaries and oncosts due to staff vacancies and receipt of workers compensation performance adjustment in 2013	(312,855)	(81,331)	231,524

### 35. EXPLANATORY STATEMENT (CONTINUED)

#### (a) Significant variances between actual results for 2013 and 2014 (Continued)

	VARIANCE	ACTUAL 2014	ACTUAL 2013
	\$	\$	\$
<b><u>EXPENDITURE ITEMS</u></b>			
<b><u>Depreciation</u></b>			
Decrease due to revaluation and write off of assets under \$5,000 in 2013	(291,105)	1,579,129	1,870,234
<b><u>Salaries - Administration</u></b>			
Termination payment for the Chief Executive Officer and employment of his replacement in 2013	(88,861)	978,155	1,067,016
<b><u>Audit Fees</u></b>			
Three yearly audit of National Water Indicators in 2014	18,919	62,709	43,790
<b><u>Legal Expenses</u></b>			
Legal advice sought on the <i>Water Corporations Act 1995</i> in 2013	(12,173)	907	13,080
<b><u>Pensioner Rate Rebates</u></b>			
Increase in water tariff charges and number of applicants	46,570	380,838	334,268
<b><u>Consulting fees</u></b>			
Water quality management plan and costs for development of a five year strategic development plan for ICT in 2013	(97,528)	67,499	165,027
<b><u>Sundry Expenditure</u></b>			
Operational and Asset Management audit and revaluation of assets in 2013	(17,744)	28,677	46,421
<b><u>Impairment Loss</u></b>			
Impairment of non-current assets in 2014	61,068	61,068	-
<b><u>Cost of Disposal on Non-Current Assets</u></b>			
Vehicles and plant ordered but not delivered before year end and changeover of other vehicles deferred until 2014/15	(29,519)	42,395	71,914

#### (b) Significant variances between estimate and actual for 2014

	VARIANCE	ACTUAL 2014	ESTIMATE 2014
	\$	\$	\$
<b><u>REVENUE ITEMS</u></b>			
<b><u>Water Consumption</u></b>			
Increased water sales due to a drier climate	331,246	5,066,271	4,735,025
<b><u>Connection Fees</u></b>			
Increase in land developments	312,096	448,206	136,110
<b><u>Developer Contributions - Headworks</u></b>			
The increase is due to headworks contributions for a number of large land developments	938,706	2,083,211	1,144,505
<b><u>Developer Contributions - Mains</u></b>			
The increase is due to developer mains contributions for a number of large land developments	256,915	369,515	112,600
<b><u>Interest Revenue</u></b>			
The increase is due to revenue from headworks developer contributions transferred to reserve	39,462	431,104	391,642
<b><u>Backflow Prevention Device Testing Fees</u></b>			
Increase in number of RF meters connected to fire services which require backflow testing	12,740	29,425	16,685
<b><u>Statement of Water Tariff Costs</u></b>			
Increase in statements of water tariff due to land development	12,131	52,996	40,865
<b><u>Other Receipts &amp; Services</u></b>			
Increase in availability rate for electricity rebates backdated to 2012/13	22,129	105,391	83,262
<b><u>Proceeds from Disposal of Non-Current Assets</u></b>			
Vehicles and plant ordered but not delivered before year end and changeover of other vehicles deferred until 2014/15	(83,955)	19,545	103,500
<b><u>EXPENDITURE ITEMS</u></b>			
<b><u>Pumping</u></b>			
Higher electricity costs due to increased water extraction and water sales	126,756	724,521	597,765
<b><u>Mains and Services</u></b>			
Staff doing less work on capital projects	167,196	556,755	389,559
<b><u>Net Vehicle Running Expenses</u></b>			
Wages and overheads for maintenance of works plant has increased due to regular safety checks	44,396	44,396	-
<b><u>Net Public Works Overheads</u></b>			
Staff vacancies and funding for new positions not filled and less expenditure for general adhoc engineering services	(182,228)	(81,331)	100,897

### 35. EXPLANATORY STATEMENT (CONTINUED)

#### (b) Significant variances between estimate and actual for 2014

EXPENDITURE ITEMS	VARIANCE	ACTUAL 2014	ESTIMATE 2014
	\$	\$	\$
<u>Depreciation</u>			
Decrease due to revaluation and write off of assets under \$5,000 in 2013	(469,086)	1,579,129	2,048,215
<u>Salaries - Administration</u>			
New staff positions to address corporatisation, growth and regulatory requirements and vacancies not yet filled	(273,486)	978,155	1,251,641
<u>Office Expenses</u>			
Projects deferred in the ICT Strategic Development Plan until appointment of the General Manager	(128,785)	313,499	442,284
<u>Consulting Fees</u>			
Less funding required for general adhoc engineering services and the project plan and feasibility study for a full smart metering network was deferred until 2014/15	(43,311)	67,499	110,810
<u>Other Governance</u>			
Less funding required for public relations consultancies and projects	(54,030)	91,223	145,253
<u>Sundry Expenditure</u>			
Full funding for Corporatisation not required	(71,323)	28,677	100,000
<u>Cost of Disposal on Non-Current Assets</u>			
Vehicles and plant ordered but not delivered before year end and changeover of other vehicles deferred until 2014/15	(94,320)	42,395	136,715
<u>Impairment Loss</u>			
Impairment of non current assets not anticipated	61,068	61,068	-

### 36. COMMITMENTS FOR EXPENDITURES

#### Non-cancellable operating lease commitments

Busselton Water has entered into a number of non-cancellable operating lease arrangements for office equipment where the lessors effectively retain some of the risks and benefits incident to ownership of the items held under the operating leases. Busselton Water is responsible to insure the items with Macquarie and Alleasing Leasing, and to maintain the equipment in good working order. Equal installments of the lease payments are charged to the Statement of Comprehensive Income over the lease term as this is representative of the pattern of benefits to be derived from the leased property. An option exists to extend the term for a further period if required by the Lessee.

Figures reported include GST.

	2014	2013
	\$	\$
Commitments for minimum lease payments are payable as follows:		
Within 1 year	67,236	62,357
Later than 1 year and not later than 5 years	68,426	81,004
	<u>135,662</u>	<u>143,361</u>

#### Capital Expenditure Commitments

	2014	2013
	\$	\$
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	189,464	56,089
	<u>189,464</u>	<u>56,089</u>

Figures reported include GST.

The capital commitments include amounts for Plant & Machinery, Vehicles, Water Plant Upgrades/Refurbishments, New Development (Mains) and Stock.

#### Other Expenditure Commitments

	2014	2013
	\$	\$
Other expenditure commitments, contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within 1 year	74,586	68,500
	<u>74,586</u>	<u>68,500</u>

Figures reported include GST.

The operating expenditure commitments include water treatment plant maintenance, mains maintenance and other administration costs.

### **37. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities or assets to report as at 30 June 2014.

### **38. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD**

Busselton Water under the *Water Corporations Act 1995* became a Water Corporation on the 18th November 2013.

The *Water Corporations (Transitional Provisions) Regulations 2013* provide that:

(1) For the purposes of Schedule 5 clause 14 (Strategic Development Plans) of the Act, 1 July 2014 is prescribed.

(2) For the purposes of Schedule 5 clauses 15 (Statements of Corporate Intent), 16 (Financial Reporting) and 18(1) (Payments to State of Amount in Lieu of Rates) and (2) (Payments to State Dividends) of the Act, the financial year commencing on 1 July 2014 is prescribed.

From 2014-15 as a consequence of the new legislation Busselton Water will be called upon to provide its owner (Minister for Water) with an annual dividend and payment of an amount in lieu of rates. In addition Busselton Water will become eligible to receive Operating Subsidy payments for non-commercial activities engaged in at the direction of the State Government. These have been provided for in the 2014-15 Budget Papers.

The Economic and Expenditure Reform Committee (EERC) approved the government policy position of 65% net profit after tax dividend payment to Government.

For 2014-15 Busselton Water estimates an annual dividend of \$866,684. It has been assumed in the budget estimates that an interim dividend is not paid and that a final dividend is paid not later than 6 months after the end of the financial year to which the final dividend relates.

The final dividend is calculated with respect to the net profits for the financial year after first taking into account any amounts payable to the Treasurer for payment of an amount in lieu of rates.

For 2014-15 Busselton Water estimates a payment in lieu of rates to Government of \$30,760. Busselton Water will become eligible to receive and estimated Operating Subsidy payment of \$444,000 in 2014-15.

### 39. **FINANCIAL INSTRUMENTS**

#### (a) **Financial Risk Management Objectives and Policies**

Busselton Water's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, receivable, payable, WATC borrowings, bills and leases.

Busselton Water does not have any derivative instruments at 30 June 2014.

##### i. Treasury Risk Management

The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist Busselton Water in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Busselton Water operates under policies and a delegation approved by the Board. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

##### ii. Financial Risk Exposures and Management

The main risks Busselton Water is exposed to through its financial instruments are detailed below:

##### Interest rate sensitivity analysis

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

	Carrying Amount \$	- 100 basis points		+ 100 basis points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
<b>2014</b>					
<u>Financial Assets</u>					
Cash & cash equivalents	917,648	(9,176)	(9,176)	9,176	9,176
Other financial assets	11,290,000	(112,900)	(112,900)	112,900	112,900
<u>Financial Liabilities</u>					
WATC Borrowings	2,128,605	(21,286)	(21,286)	21,286	21,286
Total Increase/(Decrease)		<u>(143,362)</u>	<u>(143,362)</u>	<u>143,362</u>	<u>143,362</u>
	Carrying Amount \$	- 100 basis points		+ 100 basis points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
<b>2013</b>					
<u>Financial Assets</u>					
Cash & cash equivalents	1,056,842	(10,568)	(10,568)	10,568	10,568
Other financial assets	8,000,000	(80,000)	(80,000)	80,000	80,000
<u>Financial Liabilities</u>					
WATC Borrowings	2,352,911	(23,529)	(23,529)	23,529	23,529
Total Increase/(Decrease)		<u>(114,097)</u>	<u>(114,097)</u>	<u>114,097</u>	<u>114,097</u>



### 39. FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Financial Risk Management Objectives and Policies (Continued)

##### *Liquidity risk*

Liquidity risk arises when Busselton Water is unable to meet its financial obligations as they fall due.

Busselton Water is exposed to liquidity risk through its trading in the normal course of business.

Busselton Water manages liquidity risk by budgeting and monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

##### *Credit risk*

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

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and in the table of Note 39(c) 'Financial Instruments' and note 19 'Receivables' to the financial statements.

There are no amounts of collateral held as security at 30 June 2014.

Credit risk is reviewed by the Board. It arises from exposures to customers and deposits with financial institutions.

Busselton Water's management monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with ratings as outlined within the investment policy are utilised; and
- customers that do not pay on a timely basis are subject to recovery actions in accordance with Board policy and may ultimately have services restricted.

Busselton Water does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into.

The trade receivables balances at 30 June 2014 and 30 June 2013 do not include any counter parties with external credit ratings. Customers credit worthiness is monitored monthly and actions taken where applicable in accordance with Board policy.

##### *Market risk*

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Busselton Water's income or the value of its holdings of financial instruments. Busselton Water does not trade in foreign currency and is not materially exposed to other price risks such as commodity prices changes. Busselton Water's exposure to market risk for changes in interest rates relates primarily to the long-term debt obligations.

All borrowings are due to the Western Australian Treasury Corporation (WATC) and are repayable at fixed rates with varying maturities. Busselton Water has limited exposure to interest rate risk as detailed in the interest rate sensitivity analysis table at note 39(a)(ii). Busselton Water is not exposed to interest rate risk because the majority of cash and cash equivalents and investments are non-interest bearing and it has no borrowings other than WATC borrowings.

#### (b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2014	2013
	\$	\$
<u>Financial Assets</u>		
Cash and cash equivalents	917,648	1,056,842
Receivables <sup>(a)</sup>	2,779,993	2,375,600
Other Financial Assets	11,290,000	8,000,000
<u>Financial Liabilities</u>		
Payables	562,850	763,018
WATC Borrowings	2,128,605	2,352,911
Other Financial Liabilities	69,061	34,060

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

### 39. FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Financial Instrument Disclosures

##### Credit risk

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

Busselton Water does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

	Carrying Amount	Not past due and not impaired	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years	Impaired financial assets
	\$	\$	\$	\$	\$	\$	\$	\$
<b>2014</b>								
Cash and cash equivalents	917,648	917,648	-	-	-	-	-	-
Receivables <sup>(a)</sup>	2,779,993	2,638,994	-	92,289	48,710	-	-	-
Other Financial Assets	11,290,000	11,290,000	-	-	-	-	-	-
	<b>14,987,641</b>	<b>14,846,642</b>	-	92,289	48,710	-	-	-
<b>2013</b>								
Cash and cash equivalents	1,056,842	1,056,842	-	-	-	-	-	-
Receivables (a)	2,375,600	2,285,975	-	45,624	43,496	505	-	-
Other Financial Assets	8,000,000	8,000,000	-	-	-	-	-	-
	<b>11,432,442</b>	<b>11,342,817</b>	-	45,624	43,496	505	-	-

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

##### Liquidity risk and interest rate exposure

The following table details the Authority's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

#### Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	Carrying Amount \$	Interest rate exposure			Nominal amount \$	Maturity dates				
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$		Up to 1 month \$	1 - 3 months \$	3 months to 1 year \$	1 - 5 years \$	More than 5 years \$
<b>2014</b>											
<u>Financial Assets</u>											
Cash and cash equivalents	2.33	917,648	-	916,548	1,100	917,648	917,648	-	-	-	-
Receivables <sup>(a)</sup>		2,779,993	-	-	2,779,993	2,779,993	2,779,993	-	-	-	-
Other Financial Assets	3.86	11,290,000	-	-	-	11,290,000	1,300,000	4,140,000	5,850,000	-	-
		<b>14,987,641</b>	-	916,548	2,781,093	<b>14,987,641</b>	<b>4,997,641</b>	<b>4,140,000</b>	<b>5,850,000</b>	-	-
<u>Financial Liabilities</u>											
Payables		562,850	-	-	562,850	562,850	562,850	-	-	-	-
WATC Borrowings	4.54	2,128,605	2,128,605	-	-	2,128,605	-	57,677	176,988	1,052,144	841,796
Other Financial Liabilities		69,061	-	-	69,061	69,061	-	19,289	49,772	-	-
		<b>2,760,515</b>	<b>2,128,605</b>	-	<b>631,910</b>	<b>2,760,515</b>	<b>562,850</b>	<b>76,966</b>	<b>226,760</b>	<b>1,052,144</b>	<b>841,796</b>

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

### 39. FINANCIAL INSTRUMENTS (CONTINUED)

#### Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	Carrying Amount \$	Interest rate exposure			Nominal amount \$	Maturity dates				
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$		Up to 1 month \$	1 - 3 months \$	3 months to 1 year \$	1 - 5 years \$	More than 5 years \$
<b>2013</b>											
<u>Financial Assets</u>											
Cash and cash equivalents	2.58	1,056,842	-	1,055,742	1,100	1,056,842	1,056,842	-	-	-	-
Receivables (a)		2,375,600	-	-	2,375,600	2,375,600	2,375,600	-	-	-	-
Other Financial Assets	4.33	8,000,000	8,000,000	-	-	8,000,000	-	4,500,000	3,500,000	-	-
		11,432,442	8,000,000	1,055,742	2,376,700	11,432,442	3,432,442	4,500,000	3,500,000	-	-
<u>Financial Liabilities</u>											
Payables		763,018	-	-	763,018	763,018	763,018	-	-	-	-
WATC Borrowings	4.54	2,352,911	2,352,911	-	-	2,352,911	-	55,131	169,175	1,005,702	1,122,903
Other Financial Liabilities		34,060	-	-	34,060	34,060	-	13,051	21,009	-	-
		3,149,989	2,352,911	-	797,078	3,149,989	763,018	68,182	190,184	1,005,702	1,122,903

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

#### (d) Fair Values

Busselton Water has no listed investments at balance date. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

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

## certification of key performance indicators

For the year ending June 2014

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



Paul Carter

Member of Busselton Water Corporation

Date: 2 September 2014



Matthew Walker

Member of Busselton Water Corporation

Date: 2 September 2014

## key performance indicators

Busselton Water is required to measure its performance against Key Performance Indicators (KPIs) as recommended by the Board and approved by Government.

During 2013-14 the following high level Key Performance Indicators (KPIs), are as follows:

### Government Goal

Outcome Based Service Delivery; Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

### Desired Busselton Water Outcome

To provide a sustainable high quality drinking water supply for its customers.

OUTCOME 1 - SUSTAINABILITY		Four Year Comparison			
	Target	Actual			
Key Effectiveness Indicator	2014	2014	2013	2012	2011
S1. Quantity of water produced within licensed allocation (volume)					
	<8.1 GL	5.1 GL	4.6 GL	4.3 GL	4.3 GL

### Standard Utilised to Set Target

The Department of Water licenses groundwater extraction from the Yarragadee and Leederville aquifers. The target is based on total allowable volume permitted under the licence.

### Relevance of Indicator to the Agency Level Desired Outcomes

Extraction at or below the licensed volume demonstrates the ability to manage the long term viability of the resource.

### Explanation of Variance

Result 2014 v Target: 2014 extraction remains well within target.

Result 2014 v Result 2013: Extraction is up 0.5 GL from 2013.

During 2014 Busselton Water experienced an increase in water sales which reflected the drier and hotter year. New connections resulted in a 3.5% increase in customers, which was higher than forecast. These new connections have higher water usage as a result of garden establishment activities.



## key performance indicators (cont.)

	Target	Four Year Comparison			
		Actual			
Key Efficiency Indicator	2014	2014	2013	2012	2011
S2. Real water losses (litres per service connection per day)					
	<115 Lt	96 L	88 L	37 L	49 L

### Standard Utilised to Set Target

Real losses refer to leakages from reticulation mains and mains to meter services. Performance of this indicator can be influenced by the condition of reticulation mains, other infrastructure and water pressure.

### Relevance of Indicator to the Agency Level Desired Outcomes

Busselton Water endeavours to minimise the difference between water produced leaving the Plant and water consumed and billed to customers. Reducing real water losses enhances the sustainability of a valuable resource.

### Explanation of Variance

Result 2014 v Target: Real water losses is below target.

Result 2014 v Result 2013: During the year Busselton Water enhanced the water treatment processes, which resulted in higher quality water but also resulted in higher production losses. Busselton Water is now investigating backwash recovery methods to reduce these production losses.

## key performance indicators (cont.)

Key Efficiency Indicator	Target	Four Year Comparison			
		Actual			
	2014	2014	2013	2012	2011
<b>S3. Operating cost per property (\$ per property)</b>					
	<4% increase	442.47	509.72	415.61	360.29
% Change from previous year		-13.19%	+22.64%	+15.35%	-3.79%

### Standard Utilised to Set Target

Long term industry standard at or below the forecast Index.

### Relevance of Indicator to the Agency Level Desired Outcomes

To ensure the long term financial viability of Busselton Water and to achieve high quality drinking water at a sustainable reasonable cost.

### Explanation of Variance

Result 2014 v Target: 2014 operating cost per property remains well within target.

Result 2014 v Result 2013: Operating costs have decreased this year due to staff vacancies in 2014 not yet filled, a reduction in chlorination expenses, consultants and the sampling program.

## key performance indicators (cont.)

	Target	Four Year Comparison			
		Actual			
Key Efficiency Indicator	2014	2014	2013	2012	2011
<b>S4. Energy consumption (KWh per KL produced leaving the Plant)</b>					
	0.70 KWh/KL	0.61	0.61	0.62	0.61

### Standard Utilised to Set Target

Target set at or below an industry accepted standard.

### Relevance of Indicator to the Agency Level Desired Outcomes

To demonstrate the ability of the agency to provide water at a minimum, long term cost and reduce greenhouse gas emissions.

### Explanation of Variance

Result 2014 v Target: Energy consumption levels are well within target.

Result 2014 v Result 2013: No variance between 2014 and 2013.

## key performance indicators (cont.)

OUTCOME 2 - HIGH WATER QUALITY		Four Year Comparison			
	Target	Actual			
Key Effectiveness Indicator	2014	2014	2013	2012	2011
<b>WC1. Number of zones where microbiological compliance is achieved</b>					
	1/1	1/1	1/1	1/1	1/1

### Standard Utilised to Set Target

Microbiological compliance relates to the water quality parameters of bacteriological and amoebae, across Busselton Water's single zone. 100% compliance is the target set.

### Relevance of Indicator to the Agency Level Desired Outcomes

Compliance with the above standards is essential in the production of high quality drinking water. These standards align with Australian Drinking Water Guidelines 2004 framework approach.

### Explanation of Variance

Result 2014 v Target: No variance to target. 100% compliance maintained.

Result 2014 v Result 2013: No variance between 2014 and 2013.

## other disclosures and legal requirements

### Pricing policies of services provided

Rates and charges were determined in accordance with Section 93, *Water Boards Act 1904* and have been approved for the period 1 July 2013 to 30 June 2014. Pursuant to Section 94 of the *Water Boards Act 1904*, the Busselton Water Corporation has resolved and the Minister has approved the following Rates and Charges for the twelve months ending 30 June 2014:

#### Residential

Standard Supply Charge        \$173.49

A cost per kilolitre of water consumed by “Pay as You Use” residential customers was assessed as follows:

First 150kl	\$0.87	per kilolitre
Next 200kl	\$1.21	per kilolitre
Next 150kl	\$1.37	per kilolitre
Next 200kl	\$1.83	per kilolitre
Next 300kl	\$2.55	per kilolitre
Thereafter	\$2.62	per kilolitre

#### Non Residential

Supply Charge

The cost per kilolitre of water consumed by non-residential customers was assessed at \$1.283 per kilolitre.

20mm	\$	173.49
25mm	\$	271.08
40mm	\$	693.98
50mm	\$	1,084.34
80mm	\$	2,775.91
100mm	\$	4,337.36
150mm	\$	9,759.06

To assist customers, a range of payment options are available, which include on-line payment facilities via Busselton Water’s website. In addition, a direct debit facility has been included as suggested through past customer surveys.

The current rates and charges were published in the WA Government Gazette dated 25 June, 2013 and in the Busselton Dunsborough Mail dated 3 July, 2013 and introduced payable from 1 July 2013.

Details are available on Busselton Water’s website at [www.busseltonwater.wa.gov.au](http://www.busseltonwater.wa.gov.au)

### Ministerial Directives

No ministerial directives were received during the financial year.



## other disclosures and legal requirements

### Major Capital Works

Project	Adopted budget \$	Estimated total cost \$	Estimated cost to complete \$	Completion Year
Electrical system upgrade, Plant 2	185,800	150,000	35,800	2015
SCADA, replacement PLC and communications - Plant 2 and 5	269,410	233,252	36,158	2015

### Completed Major Capital Works

Project	Adopted budget \$	Total cost \$	Variation (if applicable)
Connect 300mm water main, Provence	175,000	220,288	
Installation of 100mm main, Layman Rd	205,000	9,277	Change in scope of works reduced cost of project
Replace 100AC water main with 100mm PVC, Falkingham Rd	95,000	67,732	
Upgrade clearwell tank, Plant 1	54,000	62,416	
Preliminary to works for new 700Kva standby generator, Plant 2	50,000	36,350	

## other disclosures and legal requirements

### Staff Profile

The number of employees in comparison with the preceding financial year is shown below:

	2013	2014
Full time permanent	23	20
Full time contract	4	2
Part time FTE	3	2
Secondment	0	0

### Staff Development

Busselton Water is committed to developing a highly skilled, motivated and well-resourced workforce in a safe and secure working environment.

Our annual performance appraisal process was completed with 100% appraisals conducted and opportunities for development identified.

This year 80% of the development needs identified in the 2012-13 performance appraisal process were achieved by operations and administration employees.

### Workers Compensation

Two workers compensation claims were recorded during this year compared with five claims in 2012-13.

Claims recorded this year were a back injury and a fractured leg/ankle. In response to these injuries a review of the Lone Worker Policy and subsequent training has been delivered to operational employees.

The total cost of workers compensation claims paid in 2013-14 was \$3,416 compared with \$6,776 in the previous year.

### Expenditure on advertising, market research, polling and direct mail

In accordance with Section 175ZE of the *Electoral Act 1907*, Busselton Water incurred expenditure in advertising, market research, polling, direct mail and media advertising:

Total expenditure for 2013-14 was \$66,719

Market Research	\$
Mills Wilson Communications	12,661
Research Solutions	10,664
	23,325
Media Advertising	
Adcorp Marketing	337
Rural Press Regional Media	2,560
Local Link	718
Price Advertising	3,637
The West Australian	3,038
Seek	272
Marketforce Productions	28,760
SW Precision Print	4,072
	43,394
Advertising Agency	Nil
Polling Organisations	Nil
Direct Mail Organisations	Nil
TOTAL	66,719

## other disclosures and legal requirements

### Meetings of the Board

The Board's business is transacted at a monthly meeting which is usually held on the third Monday of each calendar month. The number of Board meetings held and attended during the year by each Board Member holding office as at 30 June 2014 is depicted in the below table:

Position	Name	Type of remuneration	Period of membership (months)	Meetings attended	Gross/actual remuneration \$
Chair	H Shervington	Annual	12	11	15,000
Member	C Boulton <sup>1</sup>	Half Day	12	11	-
Member	P Carter	Half Day	12	11	3,900
Member	M Peet	Half Day	1	1	380
Member	Y Robinson	Half Day	12	10	3,770
Member	W Smith	Half Day	11	10	3,520
Member	M Walker	Half Day	12	10	3,770
				<b>Total</b>	<b>30,340</b>

(1) Public Service Officer

### Insurance premiums paid to indemnify members of the Board

Professional Indemnity to protect Board Members against liability incurred under Sections 13 or 14 of the *Statutory Corporations (Liability of Directors) Act 1996* or the equivalent section of the *Water Corporations Act 1995* has been secured with a premium of \$6,154.50 for 2013-14.

### Disability Access and Inclusion Plan Outcomes

Busselton Water is not required to develop a Disability Access and Inclusion Plan. However it is aware of the key outcomes of such plans and adheres to the principles.

### Compliance with Public Sector Standards and Ethical Codes

There have been no compliance issues in respect to public sector standards, code of ethics or Busselton Water's Code of Conduct during 2013-14.

The Code of Conduct was reviewed during the year. Every Board and staff member of Busselton Water is expected to comply with the Code of Conduct. Awareness of the Code of Conduct is created and maintained by circulation and training. Managers and Line Managers have a role in promoting the Code of Conduct to staff.

Compliance is assessed by staff feedback through staff meetings and performance appraisals.

## other disclosures and legal requirements

### Record Keeping Plan

In accordance with Section 27 of the *State Records Act 2000* Busselton Water is required to have a Record Keeping Plan approved by the Minister for Water. We are also required to report on compliance with the Act as required by Section 61 and State Records Commission Standard 2, Principal 6.

The registration number assigned to our Record Keeping Plan is RKP2014015.

Busselton Water's commitment to ongoing compliance with the *State Records Act 2000* and to sound recordkeeping practices is evidenced in our 2013-14 activities:

- A draft Recordkeeping Plan was submitted to the Minister for Water for approval, in accordance with section 27(2) of the *State Records Act 2000*.
- Employees were provided with Trim (Electronic Document Records Management System) end user training.
- New staff were provided with records management training as part of their induction program.
- Old records were appraised, sentenced and disposed of appropriately.

### Freedom of Information

Busselton Water provides a general right of access to documents and records in accordance with the *Freedom of Information Act 1992*.

During 2013-14:

- An annual information statement was published in accordance with Part 5 of the *Freedom of Information Act 1992*.
- No access applications were received.

### Substantive Equality

This requirement does not apply to Busselton Water, however we are aware of the intent of the Policy Framework for Substantive Equality.

Our Code of Conduct supports our commitment to equal opportunity ensuring that discrimination does not occur in the workplace.

### Occupational Safety, Health and Injury Management

Busselton Water is committed to achieving zero harm by ensuring our workplaces are safe, healthy and accident free for all employees, contractors and visitors. The Board regards compliance with legislation as the minimum standard and is committed to best practice safety performance throughout all of Busselton Water operations.



Water Treatment Plant Operator  
Kris Griffin

## other disclosures and legal requirements

Regular staff meetings are held involving Line Managers and employees, which are used as a consultative mechanism for safety concerns.

The Safety Committee facilitates consultation and co-operation between Management and employees in initiating, developing and implementing measures designed to ensure the safety and health of employees. Elected Safety Representatives liaise with employees regarding matters concerning the safety and health of persons in the workplace.

Busselton Water complies with the injury management requirements of the *Workers Compensation and Injury Management Act 1981* including the development of return to work plans. An action plan was developed from an assessment completed in April 2013, based on the WorkSafe Plan. 97% of the agreed actions arising from the assessment have been completed.

A report of annual performance for 2013-14 against the following:

Measure	Actual results 2013-14	Results against target	
		Target	Comment on result
Number of fatalities	0	0	Result achieved
Lost time injury and/or disease incidence rate	7.1	Not set	Lost time injury incidence rate target was not set
Lost time injury and/or disease severity rate	0	Not set	Lost time injury severity rate target was not set

### Percentage of injured workers returned to work

Within 13 weeks	100%	100%	On target Result achieved
Within 26 weeks	100%	Greater than or equal to 80%	On target Result achieved
Percentage of Managers trained in occupational safety, health and injury management responsibilities	100%	Greater than or equal to 80%	On target Result achieved





BUSSELTON **WATER**

[www.busseltonwater.wa.gov.au](http://www.busseltonwater.wa.gov.au)