



BUSSETON WATER

ANNUAL REPORT 2015





BUSSELTON WATER

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This report is a review of our performance for the financial year ending 30 June 2015. It informs our shareholder, customers, community and stakeholders about Busselton Water, our governance, the strategic priorities which have driven our activities during the year, and our operational and financial performance.



Hon Mia Davies MLA

To the Hon Mia Davies MLA

Minister for Water

In accordance with Sections 60 and Clauses 35 and 36 of Schedule 3 of the *Water Corporations Act 1995*, we hereby submit for your information and presentation to Parliament, the Annual Report of Busselton Water Corporation for the year ended June 2015.

Helen Shervington

Chair
Busselton Water Corporation

Chris Elliott

Chief Executive Officer
Busselton Water Corporation

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OUR YEAR AT A GLANCE



In 2014-15, Busselton Water continued to deliver water services safely, sustainably, commercially and in collaboration with our customers and key stakeholders. During the year we:

- extracted 5.18 gigalitres of groundwater;
- delivered 4.33 gigalitres of drinking water to 12,545 customers;
- delivered 0.18 gigalitres of potable water to customers in the Dunsborough/Yallingup Water Supply Scheme;
- achieved revenue of \$11.9 million;
- achieved a profit before income tax of \$4.0 million;
- returned to Government, by way of net accruals, \$1.0 million;
- invested \$3.3 million in infrastructure;
- employed 32 local people and invested more than \$5.7 million with local businesses; and
- explored growth opportunities with significant potential community benefits.



Highlights



Water quality

During the year, we completed a comprehensive water sampling program and achieved full compliance with both health and non-health related water quality parameters. We continued to implement elements of the Drinking Water Quality Management Plan to increase our alignment with the Australian Drinking Water Guidelines.



Engagement

In addition to our traditional engagement activities, extensive community and stakeholder consultation was undertaken to help explore potential business growth projects. Forty-five meetings were held with key stakeholders in 2014-15, including representatives from State and local government, the Water Corporation, the Department of Water as well as other agencies, local business owners, community groups and industry representatives.



Business sustainability

In preparation of future growth and to support effective planning, a new strategic planning framework was established during the year, and core strategies, policies and procedures were reviewed and updated.



People and safety

Our uncompromising focus on safety has achieved an All Injury Frequency Rate (AIFR) of 21.8 which is well below the target of 64.

EXECUTIVE SUMMARY



Asset management

A 30-year infrastructure plan was completed and a 30-year financial plan commenced during the year.

Our capital works program is on track with \$3.3 million invested in 2014-15, including the installation of a 700 kilovolt ampere (kVA) diesel generator that will ensure continuity of water supply during extended power interruptions.



Innovation

Busselton Water was awarded the Australian Water Association (WA) Award for Infrastructure Innovation in November 2014 in recognition of our project, undertaken in partnership with the City of Busselton, which extracts heat from Yarragadee deep bore water to heat the swimming pools at the Geographe Leisure Centre.



Growth

Busselton Water is focused on building a strong platform for growth based on improved efficiency, optimisation of existing resources, innovation and business acquisition. Potential growth opportunities, including the management of the Dunsborough/Yallingup Water Supply Scheme and Busselton's rural drainage and flood protection services, were identified and progressed in 2014-15.

From the Chair



It gives me great pleasure to present the Annual Report for the year ending 30 June 2015.

This financial year has seen Busselton Water embrace the challenges and opportunities which corporatisation and an expansion of our operating licence presented, and we are now well positioned to achieve our vision of achieving excellence and leadership in the provision of water services.

Commercial opportunities to expand and improve our business while at the same time deliver an even better service to the community were progressed over the year. These opportunities include the management of the Dunsborough/Yallingup Water Supply Scheme and Busselton's rural drainage and flood protection services.

In support of these growth opportunities, a new strategic planning framework was established and core strategies, policies and procedures reviewed and updated in 2014-15. In addition, a 30-year infrastructure plan was completed and a 30-year financial plan commenced. Extensive community and stakeholder consultation has also been undertaken to help explore these potential business growth projects.

Our corporate performance in 2014-15 exceeded the targets detailed in our Statement of Corporate Intent for the year in all areas. While increased sales through tariffs and developer transfers account for this increase, it is a credit to the organisation that operational overheads have remained steady over the year in spite of increased growth across all our operational areas.

Busselton Water remains committed to the community it has served for almost 110 years and the next twelve months will be some of the most exciting yet as we continue to embrace the opportunities presented. I have every confidence, based on the results presented in this report, in Busselton Water's ability to deliver.

I would like to thank Chris Elliott and all Busselton Water employees whose dedication and commitment over the last twelve months has enabled the achievement of these very positive results and outcomes.

I would also like to acknowledge the work of the Board of Directors. Once again it has been a privilege and a pleasure to work with such a diverse group who together share a commitment to delivering the best outcomes for Busselton residents. Thank you for your remarkable efforts.

A handwritten signature in blue ink, appearing to read 'H. Shervington', written in a cursive style.

Helen Shervington
Chair

From the CEO



With a clearly defined purpose that provides direction to our activities, Busselton Water has been able to improve service, reliability, quality and value through innovation and business improvements this year.

Our programs have been delivered with a focus on continued improvement and cost efficiencies and our financial results reflect this commitment to meeting our customers' water needs in the most economical way.

Following a significant period of change, a new organisational structure was implemented in 2014-15 to maximise the opportunities presented by corporatisation and enable us to meet the subsequent additional legal and financial requirements. This was followed by a comprehensive review of our values, policies, procedures, processes and Code of Conduct.

Our professional and dedicated employees have embraced these changes and I would like to acknowledge their efforts over the year and congratulate them on achieving an All Injury Frequency Rate (AIFR) of 21.8 which is well below the target of 64 and a significant improvement on previous years' results.

Reflecting Busselton's continued growth, in 2014-15 our customer base grew to 12,545 and our revenue to \$11.9 million. Busselton Water remains extremely cognisant of its responsibilities as an essential service provider and the need to support this growth through a planned capital and maintenance works program and delivery of customer funded projects.

We continued to invest in our infrastructure to ensure reliability and quality of supply to our customers in 2014-15, delivering a \$3.3 million capital works program and a \$1.8 million maintenance program of works. Our commitment to providing the highest quality water is once again reflected in our results. We have maintained a fully compliant water quality record for both health and non-health related water quality.

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 2014-15.

A handwritten signature of Chris Elliott in blue ink, written in a cursive style.

Chris Elliott
Chief Executive Officer

OUR BUSINESS

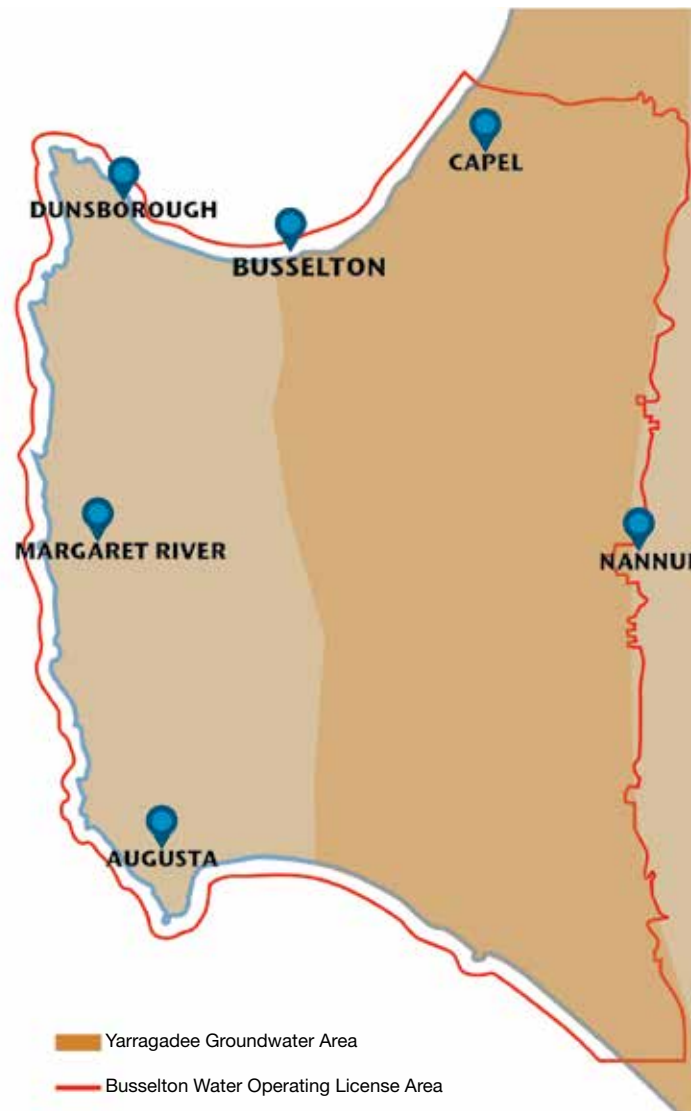
Busselton Water has provided the Busselton community with safe, sustainable and affordable water supplies for almost 110 years.

We are owned by the Western Australian Government and are accountable to our sole shareholder, the Honourable Mia Davies MLA, Minister for Water.

Busselton Water is a water corporation, established on 18 November 2013, by the *Water Corporations Act 1995*. Under new legislation Busselton Water is poised for growth and diversification.

Our operating licence is issued by the Economic Regulation Authority under the *Water Services Act 2012* and is valid until 1 October 2021.

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



Our operating area

Busselton is approximately 220 kilometres south of Perth, Western Australia. Our operating licence (WL3, Version 7) covers an area of approximately 688,700 hectares and authorises Busselton Water to provide potable water supply services.

Our water is sourced from the Yarragadee and Leederville aquifers, which provide high quality groundwater. The groundwater abstraction is regulated through licenses issued by the Department of Water.

The raw groundwater has turbidity and iron concentrations above the aesthetic drinking water guideline limits and these are removed by oxidation and filtration processes at Busselton Water's treatment plants. Water is disinfected using chlorine before being distributed through the network to customers.

OUR BUSINESS



Our services

Busselton Water supplies water to more than 26,000 people in the Busselton area. During the summer months, our tourist population can peak to more than 50,000 people. Our customers include domestic, commercial, light industrial and special rural water users. Bulk water is also sold to an adjoining licence area in Dunsborough.

During the year, Busselton Water also assisted more than 2,900 residential customers (25.1 per cent) with pensioner and seniors rebates; concessions for leaks and bursts in the internal water reticulation system; and exemptions in cases of special hardships.

Our stakeholders

Our stakeholders include our customers, the Busselton Water Customer Advisory Group, the City of Busselton, local businesses and community and service organisations, schools and various State and Federal government agencies.

We are committed to building open dialogue with our stakeholders to ensure we are informed about stakeholder opinions, concerns and issues.

We maintain effective relationships and raise community awareness in regard to Busselton Water's services through timely, targeted and relevant communication, education and community investment programs.

Our vision

Our vision is to deliver excellence and leadership in the provision of water services.

Our purpose

Busselton Water exists to deliver water services safely, sustainably, commercially and in collaboration with our customers.

Our values

Our values are very important to us and describe the way we do business.

Ethical behaviour

Fairness, transparency, honesty, integrity, accountability, professionalism and trust.

Commercial astuteness

High quality work, business excellence, relentlessly seeking the best outcome, disciplined choice, safety first, long term approach to success, innovation, business sustainability.

Teamwork

Enthusiasm, resourcefulness, participation, commitment, working together, achieving results, flexibility, recognition, communication, empowerment, reaching our potential.

Leadership

At all levels of the organisation, decisions and behaviours determine culture, expectations are communicated and understood, decisiveness, mentoring.

Our future

Busselton Water remains committed to the community it has served for almost 110 years and, in the year ahead, will continue to seek out opportunities to improve service, reliability, quality and value through innovation and business improvements.

Following corporatisation in 2013 and the expansion of our operating licence in 2014, Busselton Water has also identified opportunities to expand and improve our business and deliver even better service to a wider community by addressing emerging local water issues and challenges.

We are well positioned to achieve our vision of excellence and leadership in the provision of all water services.

OUR CORPORATE STRUCTURE

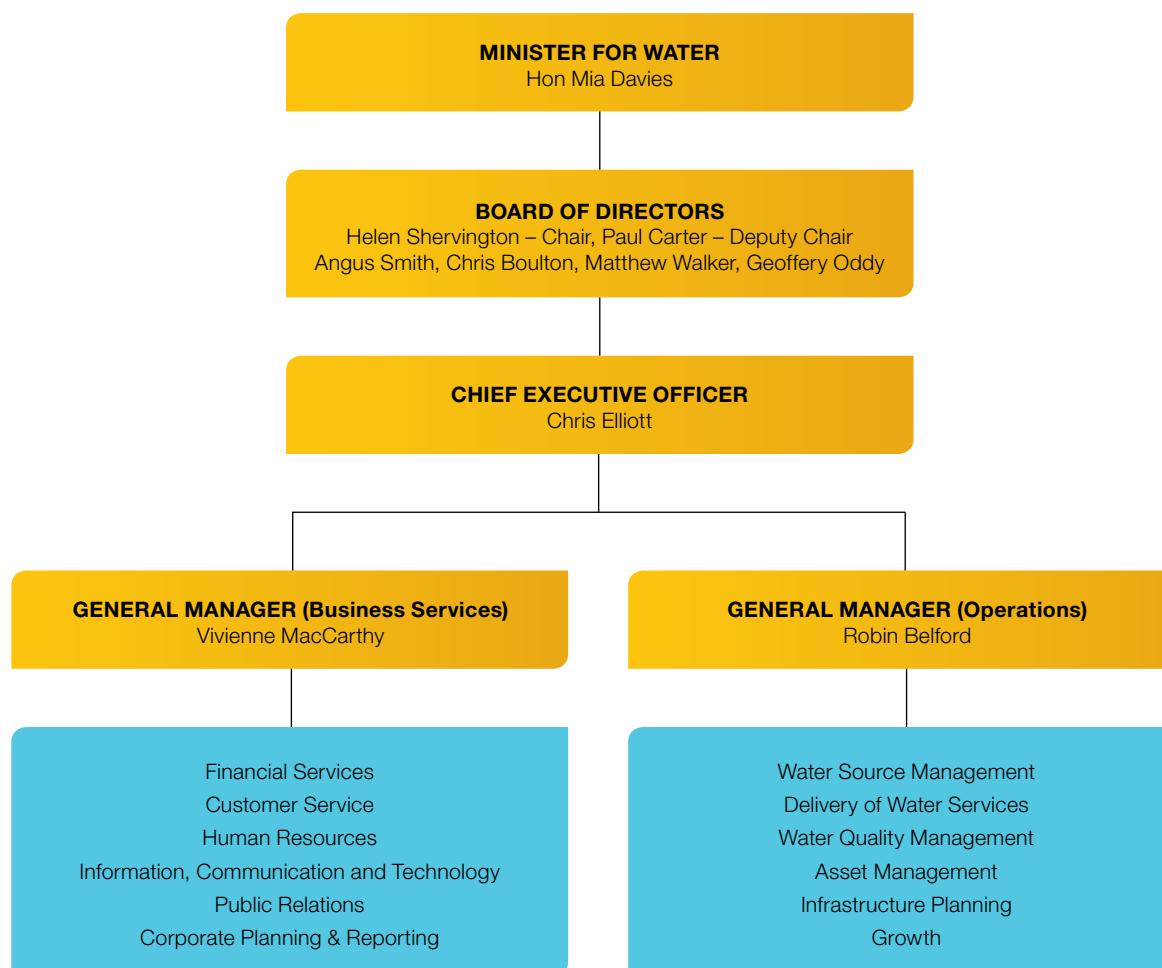
A new organisational structure was implemented in 2014-15 to maximise the opportunities presented by corporatisation and enable us to meet the subsequent additional legal and financial requirements. This was followed by a comprehensive review of our values, policies, procedures, processes and Code of Conduct.

The Board of Busselton Water has the legislative authority to perform the functions of the organisation and is ultimately responsible for legal compliance, corporate governance and risk management. It provides strategic direction and guidance to the CEO and executive, and establishes the setting for our corporate culture to enable Busselton Water to achieve high levels of performance and compliance.

The CEO is appointed by the Board and, from 1 July 2014, oversaw the work of two divisions managed by the General Manager Operations and General Manager Business Services.

Busselton Water employs 32 employees within these two divisions and engages external support and expertise as required.

ORGANISATIONAL CHART



OUR BOARD



Standing: Matthew Walker; Angus Smith; Chris Boulton; Paul Carter (Deputy Chair); Geoffery Oddy
Sitting: Chris Elliott (CEO); Helen Shervington (Chair)



Helen Shervington

OAM, BA (Hons), MIR

Chair

Helen 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 former member of the Whicher Water Management Committee, Combined Shires Yarragadee Committee, the South West Development Commission and Busselton Shire Council. She is also a former Deputy President of the Shire of Busselton. Ms Shervington's term expires in May 2016.



Paul Carter

BBus

Deputy Chair

Paul Carter was appointed to the Board in December 2010 and appointed Deputy Chair in November 2014. He also took up the position of Chair of the Audit Committee in November 2013. Mr Carter is the owner of a local irrigation and garden centre business and has previously worked for WAFarmers and the Dairy Industry Authority. Mr Carter's term expires in May 2017.

OUR BOARD



Christopher Boulton

MEd, BEd, DipT

Christopher Boulton was appointed to the Board in 2012 and is a member of the Audit Committee. Mr Boulton has been a school principal for more than 20 years and is interested in ensuring the progress of Busselton Water in the community. Mr Boulton's term expires in May 2018.



Matthew Walker

BSc

Matthew Walker was appointed to the Board in 2013. He is the General Manager of Villa Carlotta Travel and was previously the Business Manager for Pindari, WA, a labour hire firm for construction maintenance, servicing the mining sector. Mr Walker's term expires in May 2018.



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 an executive member of the Busselton Chamber of Commerce and Industry and Treasurer of the Busselton Sporting Association. Mr Smith's term expires in May 2016.



Geoffery Oddy

Dip Eng Surv

Appointed to the Board in 2014, Mr Oddy is a retired CEO of Aqwest in Bunbury. Mr Oddy served as a temporary CEO for Busselton Water in 2013 and is an active member of the Dunsborough community including committee membership of local golf, bowls and surfing clubs. Mr Oddy is also a committee member of the Geographe Catchment Council. Mr Oddy's term expires in May 2017.

OUR EXECUTIVE TEAM



Chris Elliott

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

CEO

Chris Elliott has almost 40 years' experience in management and professional engineering roles in the water and construction industries in both public and private sectors. Joining Busselton Water in 2013, Chris' depth of water industry experience and his passion for business excellence have combined to provide Busselton Water with the strong strategic leadership it requires.



Vivienne MacCarthy

BBus, CPA (ASA), MPM

GM Business Services

Vivienne MacCarthy joined Busselton Water in July 2014 after a career in the corporate sector spanning more than 25 years. Her appointment as General Manager, Business Services in July 2014, brought her 'home' to Busselton. Vivienne brings to Busselton Water well-developed skills in commercial management and compliance, information systems and consumer services, honed in leadership roles and executive roles for small, medium and large enterprises.



Robin Belford

BEng, GDip Eng, GDip Sci, MIE Aust, CP Eng

GM Operations

Robin Belford joined Busselton Water in July 2014 bringing 20 years' experience in the water industry in the South West of Western Australia. Robin's expertise in the areas of water quality, asset management, water supply, waste water and drainage are ideally suited to Busselton Water's priorities and growth direction.

MITCHELL
PARK



KEY BUSINESS RESULTS

Our corporate performance in 2014-15 exceeded the targets detailed in our Statement of Corporate Intent for the year in all areas.

Busselton is one of the fastest growing regional areas and Busselton Water is supporting this growth through the delivery of developer funded works and its own capital works program. We have delivered these programs with a focus on continued improvement and cost efficiencies and our financial results reflect this commitment to meeting our customers' water needs in the most economical way. We are proud that our tariffs have remained one of the lowest in Australia for the delivery of potable water.

We achieved a \$4.0 million profit in 2014-15 and increased revenue to \$11.9 million (2013-14: \$11.0 million).

Water sales generated \$8.5 million revenue in 2014-15 with a further \$1.4 million driven by land development activity from large developments in Dawson Estate, Old Broadwater Farm and Provence.

Operating expenditure in 2014-15 was \$7.9 million.

Returns to the State

Being our first full year as a corporation, no dividend was payable to Government in 2014-15. Following a profitable 2014-15, the Board propose an inaugural dividend payment of \$1.4 million to be paid to the State Government in 2015-16. This is consistent with State Government policy for Government Trading Enterprises.

We are also required by the Australian Taxation Office to lodge a National Taxation Equivalent Return and pay tax equivalents to the State in addition to dividends. In total, we will pay \$1.5 million to the State Government.

Operating subsidy

We received an operating subsidy from the Government of \$0.5 million for the provision of rebates to pensioners and seniors and concessions for leaks and bursts on behalf of the Government.

When our payment is offset by our Government Subsidy, the resulting Net Accrual to Government is \$1.0 million.

Investing in assets

Our capital investment program supported the continued growth in Busselton and ensured we were able to maintain the same high standards of supply to our existing customers through infrastructure upgrades.

The \$3.3 million program included delivery of a \$1.2 million program of water mains improvements which included the installation of a new trunk main between Plant 1 and Plant 2 and mains replacement in Reynolds Street and Craig Street. A further \$1.1 million program of infrastructure projects included the installation of a permanent pre-chlorination system at Plants 1, 2 and 3 and stand-by power facilities.

Over the reporting period, Busselton Water's asset base grew as a result of \$0.4 million of assets being handed over by developers.

During the year Busselton Water co-funded a project with the City of Busselton to improve connectivity and communications between Busselton Water's administration office and main operations plant and the City's administration centre and their Geopraphe Leisure Centre. The joint venture project has improved services to our community at the lowest cost possible.

Debt and borrowings

Our capital program in 2014-15 was self-funded and no additional borrowings were required.

Investment in the community

All 32 of Busselton Water's employees and their families live and work in the local area; directly contributing to the social and economic growth of the community.

Busselton Water's procurement policies award additional weighting to local contractors and suppliers in order to support the local economy wherever possible. Five of seven tenders were awarded to local contractors in 2014-15 for the delivery of services including electrical maintenance and directional drilling contracts.

Significant changes in affairs

There were no significant changes in affairs in 2014-15.

KEY BUSINESS RESULTS

Financial targets

Financial results (\$m)	2014-15 budgeted	2014-15 revised target	2014-15 actual	Variation
Operating profit before income tax	1.90	1.80	4.00	2.20
Operating profit after income tax	1.30	1.20	2.60	1.40
Loan principal repaid	0.23	0.23	0.23	-
Capital expenditure	3.29	3.98	3.34	(0.64)
Net accrual to Government (\$'000's)				
Indirect tax	131.35	131.35	108.91	(22.44)
Income tax equivalents	643.97	643.97	1,359.23	715.26
Local Government rate equivalents	30.76	30.76	21.27	(9.49)
Dividends provided	-	-	-	-
Total accruals to Government	806.08	806.08	1,489.41	683.33
Less operating subsidy	444.00	440.82	483.74	42.92
Net accruals to Government	362.08	365.26	1,005.67	640.41
Financial performance measures (%)				
Return on fixed assets	1.97	1.97	3.95	1.98
Return on equity	2.08	2.08	3.94	1.86
Debt to equity ratio	3.03	3.03	2.88	(0.15)
Debt to total assets ratio	2.41	2.41	2.31	(0.10)

More detail of our financial performance can be found in the financial report on page 41.

Business targets

Key Performance Indicator	2014-15 target	2014-15 actual	Result
Quantity of water produced within Licence allocation (Volume GL)	<8.1	5.2	2.9
Real water losses (Litres per service connection per day)	<115.0	112.0	3.0
Operating cost per property (% increase on previous year)	<4.0	7.8	(3.8) ¹
Energy consumption (kwh per kl produced)	<0.7	0.6	0.1
Microbiological compliance (number of zones achieved)	1/1	1/1	-
Water Services Code of Conduct 2013			
Customer connections to existing mains (% within 10 business days)	90	100	10
Restored water services following restriction (% restored)	90	100	10
Performance reporting			
Customer complaints resolved (% within 15 days)	90	100	10
Restricted services (% restricted per 1,000 residential properties)	0.2	0.2	-

¹ All key performance indicators are on target with the exception of Operating Cost per Property which is 3.8 per cent higher than target and reflects recent restructure and administration costs to support corporatisation, implementation of an ICT improvement strategy and a slight increase in mains breaks.

KEY BUSINESS RESULTS

Management trends

Key Performance Indicator	2010/11	2011/12	2012/13	2013/14	2014/15
Properties served (% per km of water mains)	37.2	37.7	38.5	39.7	39.4
Average annual residential water supplied (kl/Property)	285.0	279.8	271.9	286.6	284.0 ¹
Total number of water main breaks	15	10	20	23	26
Water main breaks (per 100 km of water main)	5.0	3.3	6.6	7.7	8.3 ²
Total number of water quality complaints (per 1,000 properties)	1.4	22.0	18.5	2.4	1.7 ³
Total number of water service complaints (per 1,000 properties)	0.8	0.4	0.2	0.0	0.0
Total number of account and billing complaints (per 1,000 properties)	0.9	0.5	0.3	0.2	0.2 ⁴
Duration of unplanned water interruption (average minutes)	41.6	79.5	92.0	83.0	87.0 ⁵
Frequency of unplanned water interruptions (average per 1,000 properties)	1.1	2.7	4.1	2.0	0.9 ⁶
Economic real rate of return (% net water revenue/written down value of water assets)	1.8	0.9	0.5	5.8	5.4 ⁷
Lost time injury frequency rate (LTI per 1 mill hours)	21.4	20.7	20.7	43.4	21.8 ⁸
Lost time injury incidence rate (LTI per 100 workers)	3.6	3.3	3.3	7.1	3.4 ⁸
% return on weighted balance of investments target AusBond Bank Bill (formerly UBS Bank Bill Index) 2.6%	-	6.0	4.7	3.9	3.6

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

² A risk based methodology is used to develop a program for mains replacement of aging infrastructure.

³ Water quality complaints are returning to lower 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 several interruptions that required an average four to five 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 experienced one lost time injury during the year.



OBJECTIVE 1: Water quality

We are committed to achieving 100 per cent compliance with health related and non-health related water quality criteria outlined in the Australian Drinking Water Guidelines.

Water quality standards

Water quality standards were maintained throughout the network during the year.

Our water is sourced from eight bores constructed in the Yarragedee and Leederville aquifers, which are located within the Busselton/Capel groundwater area.

In 2014-15, 5.18 gigalitres (GL) of groundwater was extracted and 5.04 GL of drinking water produced. We have three water treatment plants, five storage tanks and 315 kilometres of distribution mains. The raw groundwater generally has turbidity and iron concentrations above the aesthetic drinking water guideline limits and these are removed using chlorine and aeration

as oxidants and gravity filtration. Drinking water is disinfected with chlorine prior to storage and distribution to consumers.

Water sampling

During the year, we completed a comprehensive water sampling program and achieved full compliance with both health and non-health related water quality parameters. All groundwater licence conditions and requirements were also met. We continued to implement elements of the Drinking Water Quality Management Plan to increase our alignment with the Australian Drinking Water Guidelines (ADWG) 2004.

Pressure and flow licence requirements were met greater than 99.9 per cent of the time over the reporting period.

Working with the Department of Health

Busselton Water continued to meet all the requirements of the Memorandum of Understanding (MOU) with the Department of Health in 2014-15. Our Water Quality Committee met with the Department of Health quarterly during the reporting period to review water quality results and discuss relevant legislation and research. We achieved 100 per cent compliance with the health



related performance targets set out in the ADWG.

A Drinking Water Quality Management Plan was implemented. The plan is a requirement as part of our MOU with the Department of Health and includes strategies to address the 12 elements of the ADWG. The plan includes an improvement strategy to further increase our alignment with the ADWG.

In 2014-15 there were 22 water quality complaints received. Twenty complaints related to taste and odour, one to discoloured water and one was a general complaint. This represents a 31 per cent reduction compared to 32 water quality complaints received in 2013-14.

OBJECTIVE 2: Engagement

We are committed to understanding what customers and other stakeholders value, now and in the future, to enable organisational direction, strategy and action; and to continually improving customer service as we strive for business excellence.

Busselton Water's Communications and Engagement Strategy was reviewed in 2014-15 to embrace a fresh approach that better reflects our current operating environment and business aspirations.

The Busselton community is growing in diversity and size; and customer perceptions, expectations and attitudes are changing. Genuine communication and engagement is critical and the strategy includes plans for a comprehensive review of all existing activities to ensure they effectively support our vision and purpose.

Growth strategy consultation

In 2014-15, Busselton Water embarked on an engagement program to inform the ongoing development of a Growth Strategy. Information summarising the opportunities being explored by Busselton Water was made available on the website and 45 meetings were held with key stakeholders, including local business owners, community groups, local government, industry groups, and agencies.

Inter-agency collaboration (see also Objective 6: Environment)

During the year, Busselton Water was pleased to work with other Government enterprises and agencies in the best interests of customers, the community and the environment.

The inaugural meeting of the Vasse Taskforce, designed to bring stakeholders together to oversee the long term management of water quality in the Vasse-Wonnerup Estuary, was held in December 2014. The Taskforce was established and is Chaired by the Minister for Water.

As well as Busselton Water, the Vasse Taskforce includes Geographe Catchment Council (GeoCatch); South West Catchments Council; South West

Development Commission; departments of Water, Parks and Wildlife, Agriculture and Food, Planning, and Fisheries; the City of Busselton; the Shire of Capel; and the Water Corporation.

A project team with representation from the Department of Water, the Water Corporation, the City of Busselton and GeoCatch was also established as part of the Vasse Taskforce in March 2015 to generate a blueprint to guide the future management of the rural drainage systems across the Geographe Catchment. This inter-agency collaborative approach demonstrates the commitment of all agencies in delivering the best possible outcome for residents in the area.

The inter-agency Vasse Estuary Technical Working Group, of which Busselton Water is also a member, is made up of the departments of Water, Parks and Wildlife, and Fisheries; the Water Corporation and the City of Busselton, and was established to assist in reducing the frequency and severity of fish kills in the system.

Busselton Water also continued to work with the City of Busselton on the award-winning geothermal heating project that has reduced power costs and is

projected to reduce greenhouse gas emissions by almost 450 tonnes per year.

Another joint venture with the City of Busselton has improved communications between our administration building and our main water treatment plant, and between the City's administration building and their Geographe Leisure Centre. With both outlying properties located within 500 metres, project resources and capital costs were reduced significantly and the project was completed in May 2015.



Busselton Water's Vivienne MacCarthy (centre) with the City of Busselton's Shawn Lombard (left) and Oliver Darby

Customer Advisory Group

The Customer Advisory Group was formed in October 2013 and meet twice each year. The group met in October 2014 and May 2015 to provide important feedback on Busselton Water plans and activities affecting our customers. The group includes representation from Busselton residents, the City of Busselton, the Chamber of Commerce, Busselton Senior Citizens Association, Busselton and Districts Residents Association and local schools.



Customer service and satisfaction

Busselton Water provides water services to 12,545 properties. Headquartered locally, we are well placed to understand our customers' needs and expectations.

Following the introduction of direct debit payment in 2013, we continued to improve our service to customers. In 2014-15, we introduced:

- a major upgrade of the tariff management software that allowed Busselton Water to offer tenant billing from February 2015. While owners and property managers retain ultimate responsibility for payment of the account, the water usage bill is sent directly to tenants in the first instance; and
- the introduction of e-billing for the first time. More than 629 accounts registered for e-billing since this service was introduced in February 2015. Not only does e-billing improve our customer service, reducing the time between the creation of a bill and its receipt, it also delivers environmental and financial benefits including reduced use of paper and postage.

We operate a robust complaints process to help ensure we are meeting expectations and addressing issues as and when they arise. In 2014-15, a total of 25 complaints were received.

We resolved three complaints relating to tariffs and billing. All complaints were acknowledged and resolved in 15 working days, in line with our Statement of Corporate Intent. No complaints were escalated to the Ombudsman over the reporting period.

Financial hardship

Water is an essential service and we take our role as provider of this service seriously.

We recognise that sometimes our customers may experience financial hardship and we support our customers when this happens to avoid restricting their water service.

In addition to offering a range of payment options, we also work with our customers in hardship to develop payment plans where appropriate and ensure we apply the relevant rebates applicable to customer accounts.

Through the State Government's Hardship Utilities Grants Scheme (HUGS), we were able to refer 12 people to financial counselling services and avoid restricting their water supply.

Water supply was restricted to 17 properties (1.5 properties per 1,000 customers) in 2014-15.



Accessible information

Customers and other stakeholders were provided with comprehensive information on the Busselton Water website throughout the year. This information included quarterly performance reports, information sheets, community partnership application details and details of our governance arrangements, policies and plans, our organisational structure and key personnel.

OPERATING REPORT

Water efficiency programs

Educational programs for school children, householders and businesses continue to operate under Busselton Water's Waterwise Education Program.

In 2014-15, seven schools, three businesses and twenty-seven households were engaged with the program.

A popular excursion for local schools is the tour of our main production plant where students see first-hand the water extraction and treatment processes required to deliver safe drinking water to their homes.

Busselton Water supported National Water Week by inviting schools to participate in a poster competition with the theme of 'Water in our Community'. A record 480 entries were received and posters were exhibited at the City's Geographe Leisure Centre and in the Busselton Water Reception area. In addition, partnering with the City of Busselton provided the opportunity to celebrate National Water Week in the wider community with the City contributing free gym membership in a lucky draw competition.



Marian Rowe of Georgiana Molloy Anglican School with Vivienne MacCarthy of Busselton Water

Never too old to be Waterwise



Busselton Water CEO Chris Elliott congratulates winner, Mabel Cain

Mabel Cain is a greywater re-use veteran – and, in June 2015, was announced one of Busselton Water's Waterwise Households in Action Program winners. Mrs Cain is a spritely 93-year-old who still lives at home where her housekeeping habits are an example to everyone. Her Waterwise

approach was honed when she lived on a farm where water had to be trucked in, and was always used with care.

These days, Mrs Cain still saves every drop she can. For example, she keeps a bucket in the kitchen, laundry and the bathroom to collect all the cold water that comes through the tap before the water heats up and the water-saving veteran collects her washtub water to use on her garden. In early 2015, she also had her home checked for water leaks – and quickly fixed one!

“Our Waterwise Household in Action program helps our customers to focus on the ways they can conserve water – which not only saves them money but also helps preserve the precious water resources that we all depend on,” said Busselton Water CEO Chris Elliott.

“By recognising and rewarding some of our best water-savers we hope more Busselton locals will follow their lead.”



Community partnerships

Busselton Water has continued to invest significantly in the local community through its contribution, sponsorship and community programs.

In 2014-15, nine events or projects received more than \$45,000 in funds, labour and sponsorship materials. In the year ahead, the corporation's community partnerships program will be reviewed to ensure it makes the best possible contribution to our business objectives.

A highlight for the year was a \$25,000 contribution to the Settlement Art Project. Part of these funds will contribute to commissioning of 'The Timberworker' – the second in a series of six life-sized bronze statues celebrating Busselton's 175th anniversary since foundation.

Portable water stations were designed and built during the year to support community events. Replacing bottled water, the hydration stations have proved popular with locals and tourists at events throughout the year. They also deliver an environmentally friendly solution to water supplies at community events, eliminating the need for thousands of plastic bottles.

OBJECTIVE 3: Business sustainability

We are committed to ensuring business sustainability and long-term success through benchmarked best practice across all areas of our business.

The corporatisation of Busselton Water in late 2013 required the organisation to meet new legal and financial requirements and, in 2014-15, a new Strategic Planning Framework was established. The new framework links strategic priorities and strategic plans with our capital investment program, operational requirements and financial models, strategic development plan, our Statement of Corporate Intent, and business unit implementation plans.

A comprehensive review of our values, policies, procedures, processes, Code of Conduct and organisational structure was substantially completed.

An updated Leadership Strategy was developed during the year to guide the organisation in good governance and to continue the development of our systems and processes of leadership authority, accountability and control.

Risk management

Busselton Water maintains a robust, risk management process that is aligned with the *WA Government Risk Management Guidelines* by RiskCover and the *AS/NZS ISO 31000:2009 Principles and Guidelines*.

The purpose of the risk management process is to mitigate risks associated with the organisation's activities in a structured manner, to an acceptable level. Being an ongoing function, the process continually improves the way we conduct our business activities. This process is used as part of the approval of new projects and operations.

We apply our risk process to any type of risk associated with Busselton Water's activities whether having positive or negative consequences. The process takes into account the requirements and obligations of relevant legislation, our operating licence, policies, procedures and any other adopted standards and practices.

Business continuity

Busselton Water's Business Continuity Management (BCM) Plan sets out the principles to be followed, actions to be taken and resources to be used for the initial response, continuity of critical business activities and ongoing recovery in the event of prolonged business interruption due to any anticipated or unanticipated incident impacting Busselton Water.

The BCM Plan has been developed to assist Busselton Water in responding effectively to critical incidents that may affect its business. The plan integrates operational risk management with emergency management policies and procedures, and establishes response procedures and priorities to deal with foreseeable incidents.

The BCM Plan recognises the corporate responsibility for Busselton Water to ensure its assets (human, information and property) are protected and that the continuity of Busselton Water's critical services are maintained.



The objectives of the BCM Plan are to:

- establish and implement a structured process that will enable Busselton Water to effectively manage and respond to any anticipated or unanticipated major incidents in a timely manner;
- safeguard the health and safety of employees, customers and the general public before, during, and after a major incident;
- ensure the continuity of critical business processes within the required timeframes; and
- comply with the Western Australian Government guidelines and requirements on business continuity.

The BCM Plan was updated in July 2014 and again in June 2015 along with our Emergency Response Plans, following training exercises in the form of mock events.

OBJECTIVE 4: People

We are committed to maintaining a highly skilled, motivated and well-resourced workforce.

Our vision to achieve excellence and leadership in the provision of water services relies on our ability to attract and retain high-performing employees in a culture that drives personal and organisational development and growth.

Our business is demanding new skills as we grow and diversify. Our challenge is to ensure our business and our people are well-prepared for the future.

In 2014-15, Busselton Water has restructured its business and there are now two business areas – Operations and Business Services – delivering our strategic objectives.

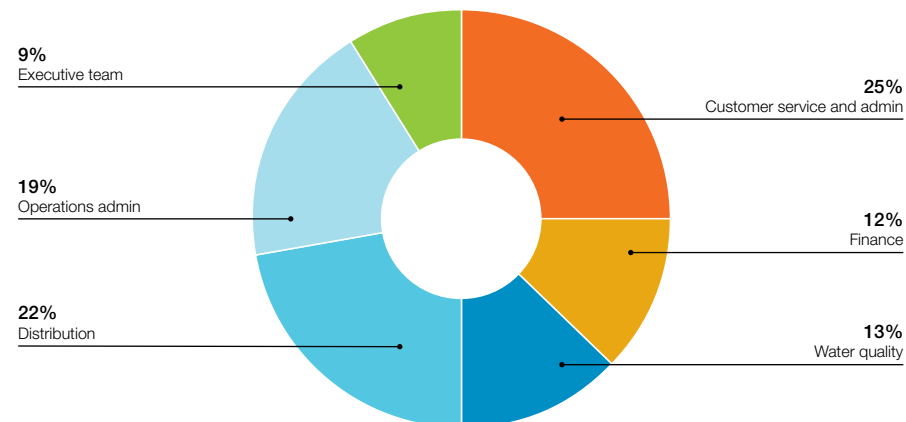
Throughout the year we have done much work to review our recruitment process and performance management framework to bring into focus our behaviours as a measure of our success in living our values.

The new performance management framework not only reviews our performance against commitments and key performance indicators but also assesses the behaviours we have demonstrated while achieving our objectives. To help this new process we have described the behaviours which reflect each of our values and ensured every team member understands and can apply the values we share to their daily activities.

Busselton Water has 32 employees working across our Operations and Business Services teams. Following a corporate restructure in July 2014, our new General Managers set about forming their teams and embedding our new performance culture. This work is ongoing.

The new customer service and administration team provides administrative support for the whole organisation. Striving for excellence, they have applied their existing success in servicing external customers to their new internal customer base.

Employee distribution



Training and development

Corporatisation and our growth agenda combines with an increasingly diverse and sophisticated customer and stakeholder environment to drive our focus on identifying critical skills and talent within our teams. In 2014-15 our external and course based training program was expanded to include on-the-job experience and skills development, and coaching and mentoring.

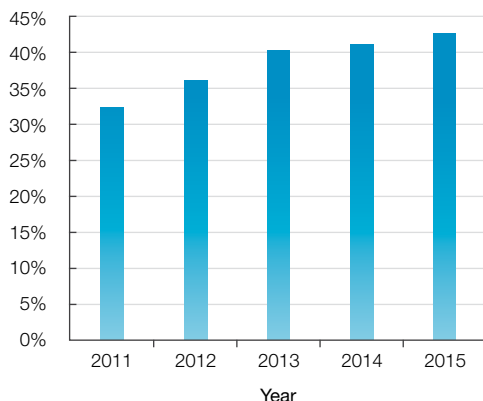
Managing diversity

Busselton Water values diversity in the workforce. For the fifth year in a row, the number of females employed at Busselton Water has increased. Forty-three per cent of our workforce is now female, compared to forty-one per cent in 2013-14.

Many of our employees have undertaken online and in-house diversity training to learn more about diversity in the workforce and appreciate its benefits. The training also equipped employees with the knowledge and skills to recognise and manage workplace bullying and/or harassment.

OPERATING REPORT

% Female employees



Employee relations

Negotiations were successfully completed to replace the existing Enterprise Agreement which expired in 2014. Our new agreement was registered with the Fair Work Commission on 8 October 2014 and will remain in place until 30 June 2017.

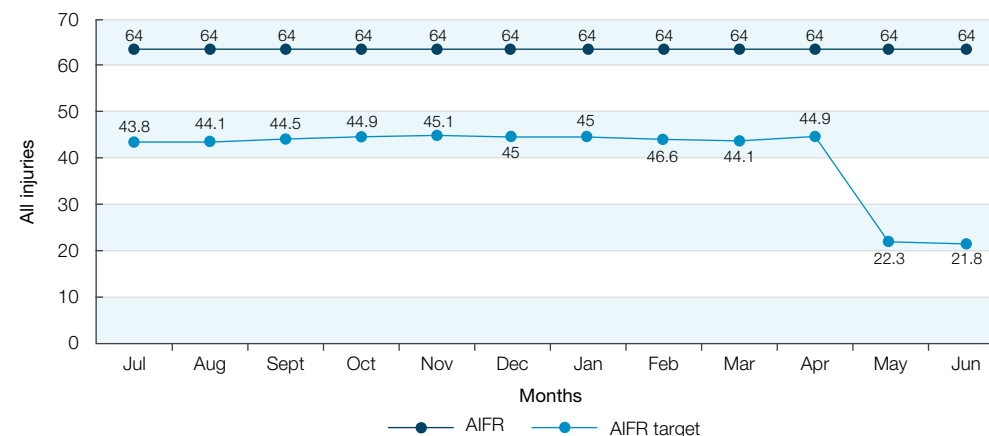
Code of Conduct

Driven by corporatisation and our new structure, our employees, Executive and Board worked together to create a new Code of Conduct that focuses on behaviours as a measure of our success in living our values.

Training sessions were run when the Code of Conduct was launched in August 2014 to ensure all employees were aware of and understood their responsibilities. The training sessions also re-visited the values and behaviours expected of employees.

Two breaches were reported, investigated and actioned in the 2014-15 financial year.

All injury frequency rate – rolling 12 month period ending June 2015



Health and safety

Busselton Water is committed to providing a safe workplace and equipping our employees, contractors and visitors with the knowledge, skills and tools to work safely.

The Board and management regard compliance with legislation as the minimum standard and are committed to best practice safety performance throughout all Busselton Water operations.

Uncompromising focus on safety has achieved an All Injury Frequency Rate (AIFR) of 21.8 which is well below the target of 64 and a significant decrease from last year's result of 43.4.

The AIFR is the number of work related injuries or disease for every million hours worked and recorded on a twelve month rolling basis.

The implementation of an Action Plan in 2013 to address self-identified gaps in our Occupational Health and Safety Plan and the introduction of a new Code of Conduct is driving this improvement and clearly reflects Busselton Water's commitment to safety.



OBJECTIVE 5: Asset Management

We are committed to best practice asset management.

Planning

Busselton Water is committed to best practice asset management with the implementation of a suite of short, medium and long term strategies and plans to provide for the effective co-ordination of asset management activities. These currently include the Five Year Operating Strategy, the Annual Asset Management Plan and the Asset Management Procedure.

The asset management information system provides effective support for our asset management activities with the planned maintenance system ensuring assets achieve their optimal whole of life service delivery.

In December 2014, the Economic Regulation Authority (ERA) granted Busselton Water an extension of our Asset Management Review interval from two to three years; satisfied that Busselton Water's Asset Management System was both compliant and effective.

In the 2014-15 financial year Busselton Water's Water Services Operating Licence area was increased from 81,200 hectares to 688,700 hectares and a new Operating Licence, Version 7, issued which enables growth and development (subject to Government approval).

Over the reporting period, Busselton Water's asset base grew as a result of a \$3.3 million capital investment program and \$0.4 million of assets from developers.

Programs delivered

A \$3.3 million capital works program was delivered in 2014-15, including the installation of a 700 kilovolt ampere diesel generator that ensures continuity of water supply during extended power interruptions. The new power supply unit boosts Busselton Water's emergency supply capability to 80 per cent of full production capacity and is capable of running the bore and associated treatment, transfer and delivery pumps.

OPERATING REPORT



Annual leak detection and condition assessment programs of treatment plant assets, reticulation assets, bridge and drain crossings were conducted to ensure the reduction of water loss and exposure to injury, liability and asset failure.

Additional power upgrades have been carried out at facilities in Hobson Street, Bussell Highway West and on Queen Elizabeth Avenue South. In the event of a power disruption, these upgrades will provide sufficient power to operate up to three bores, two treatment plants and three pumping station sites.

2014-15 capital investment program expenditure

Item	2014-15 actual
New trunk mains	\$1,022,801
Mains replacement	\$213,261
New/replace infrastructure	\$1,087,202
Land, building and offices	\$70,557
New service connections	\$318,318
Radio frequency meter replacements	\$9,880
Advanced metering infrastructure	\$35,863
Vehicle and mobile plant replacements	\$380,887
Information, communication and technology	\$200,982
Total	\$3,339,751

Extensive improvements to the water distribution network have also been completed with almost one kilometre of piping replaced in Craig and Reynolds streets and new trunk mains installed to complete the Ford Road link to Yalyalup.

A new pipeline was constructed along Marine Terrace, West Street and Geographe Bay Road as part of a new bulk transfer link between Busselton Water's three treatment plants. When completed, this will give Busselton Water greater flexibility and ensure continuity of supply for customers should a plant go offline.

OBJECTIVE 6: Environment

We are committed to caring for the environment and responsibly managing any impact our operations have.



Busselton Water is extremely cognisant that water is a precious and limited resource in Western Australia and the need to manage it sustainably is greater than ever.

In 2014-15, we developed and implemented an annual and a five-year operating plan designed to optimise water treatment and integrate the delivery of potable water from our treatment plants. We also continued to document and improve our environmental management system, progressing towards compliance with the ISO14001 family of environmental management standards.

Source protection

Busselton Water continued to undertake robust water quality monitoring and aquifer monitoring programs over the year. The Annual Groundwater Monitoring Report for July 2013 to June 2014 was submitted to the Department of Water in October 2014. During the review period it was not necessary for Busselton Water to implement any contingency strategies for any circumstances. There were no unexpected trends in aquifer response or water quality and all monitoring results met the proposed trigger values for water levels and salinity.

All of the recommendations of the Department of Water's Busselton Water Reserves Drinking Water Source Protection Review of August 2013 were implemented in 2014-15 to ensure sustainable source protection and management. This included the proclamation of the areas around the bores under the *Country Areas Water Supply Act 1947*, the installation of signage promoting awareness of drinking water source protection and monitoring of the water quality at source.

A bore field maintenance operating strategy was introduced in 2014-15 to ensure production bores are maintained in good condition. The strategy identifies potential environmental risks and strategies to control these. We continued to protect the Busselton Water aquifers from environmental surface damage through the appropriate construction of sealed production bores.

Compliance with relevant legislation

Busselton Water continued to comply with and implement the environmental requirements of its Licences 110850 and 110851 and Groundwater Licence Operating Strategy (GLOS). This included compliance with the

requirements of the Federal *Environment Protection and Biodiversity Conservation Act 1999* and the *State Environmental Protection Act 1986*.

Water efficiency

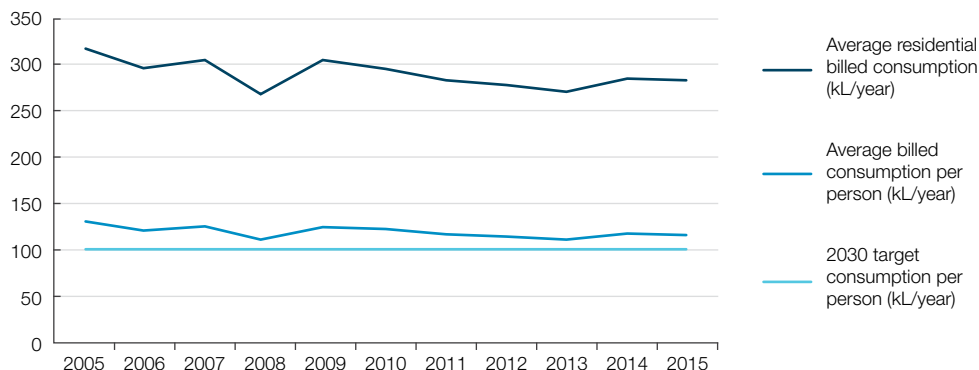
During the year, we reduced unaccounted for water through:

- detection of leaking customer plumbing through the analysis of radio frequency metering data;
- detection of leaking pipes, valves and hydrants through an acoustic and infra-red monitoring program;
- minimising water consumption from backwashing and repairing/flushing pipe operations; and
- promptly repairing pipelines and leaking valves.

Busselton Water supports the State-wide water efficiency programs by promoting the summer sprinkler roster and the winter sprinkler ban campaigns. During the year, 78 water efficiency breach letters with educational material were sent to customers.

OPERATING REPORT

Average consumption kL/year

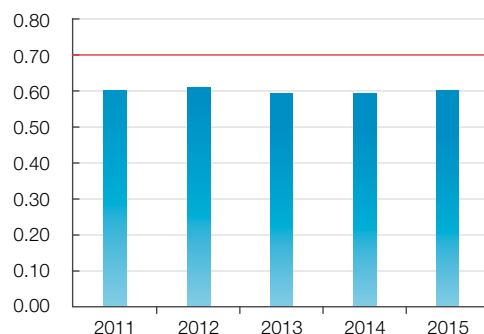


Water consumption

Water consumption has continued to trend downwards despite a drying climate. Busselton Water, in consultation with the Department of Water, has set a consumption target of 100 kilolitres per person per annum and we are on track to achieve this target by 2030.

Increased awareness of the need to be water-wise is reflected in the overall trend in water consumption rates since 2004. Dry summers in 2014 and 2015 will drive continued focus on achieving our long-term target.

Energy consumption KWh/kL



Managing energy consumption

Busselton Water has an interconnected water treatment plant system which is operated to maximise the use of off-peak power tariffs. Energy consumption in 2014-15 was maintained well below our target 0.7 kilowatt hours per kilolitre (kWh/kL) at 0.597 kWh/kL.

Automated metering

As one of the first water utilities in Australia to implement radio frequency meters in 2007, we continued in 2014-15 to research improved metering technology and to explore opportunities available through an advanced metering infrastructure.

One of the most significant benefits to date from this technology has been the early detection of leaks.

In the 2014-15 financial year, 5.3 per cent of customers received leak detection notices, potentially saving them hundreds of dollars each year and helping to conserve scarce water resources.

Busselton Water is looking to build on this technology over the next two to three years to support water efficiency initiatives with near real-time usage data and network efficiency.



Cultural and Aboriginal heritage sites

A procedure to ensure the protection and conservation of cultural and Aboriginal heritage sites was developed during the year, recognising that our growth activities often require extensive soil disturbance and excavations which may impact on these sites. With the signing of the South West Native Title Agreement (SWNTA) on 8 June 2015, we have adopted the requirements for registration of Indigenous Land Use Agreements.

Award-winning innovation



Busselton Water was awarded an Australian Water Association (WA) Award for Infrastructure Innovation in November 2014 in recognition of our Geothermal Heating Project, undertaken in partnership with the City of Busselton. The project involves using deep bore water to extract geothermal heat to heat the swimming pools at the Geographe Leisure Centre.

The project completion has reduced power costs and is projected to reduce greenhouse gas emissions by almost 450 tonnes per year.

Management of environmental impacts

In our daily operations and as required under the *Environmental Protection Act 1986*, Busselton Water treatment facilities and treated water are contained and backwash sumps and tanks are registered with the Department of Parks and Wildlife.

Busselton Water was pleased to work with other Government agencies to proactively identify and manage potential environmental risks in 2014-15. Project groups include the Vasse Taskforce and the Vasse Estuary Technical Working Group which were established to oversee the long term management of water quality in the Vasse-Wonnerup Estuary and assist in reducing the frequency and severity of the fish kills in the Vasse Estuary. A third inter-agency project team was also established to generate a blueprint to guide the future management of the rural drainage systems across the Geographe Catchment. More information about this inter-agency collaboration can be found on page 21.



OBJECTIVE 7: Growth

We are committed to growing our business by expanding our existing water services and diversifying into wastewater, drainage and irrigation services.

Busselton Water has identified opportunities to expand and improve our business and deliver even better service to the community by addressing emerging local water issues and challenges.

Following corporatisation in 2013 and the expansion of our operating licence in 2014, our business is positioned for growth in areas beyond our traditional scope. It should be noted that our growth activities are dependent on approval by the State Government, and that this approval has not been provided as yet.

Busselton Water has prepared for future growth by expanding our leadership and internal capabilities and by improving our business systems, processes and technology.

Organic growth

The City of Busselton is one of the fastest growing regional areas in Australia and is experiencing an average annual growth rate of around four per cent per annum. In 2012, the Western Australia Planning Commission published an update on population forecasts for Busselton, indicating a population increase by more than 58 per cent by 2026, which far exceeds previous predictions.

In line with these expectations, demand for water in Busselton and Dunsborough is expected to more than double, from five billion litres to 10.1 billion litres per annum by 2060. This was the key finding in a new 50 year water demand forecast prepared by Busselton Water during 2014-15.

A total of 505 new properties were connected to the Busselton Water network in 2014-15, an increase of 4.2 per cent, to bring the total connections to 12,545. This growth is reflected in water usage, with water consumption reaching a record 4.3 gegalitres during 2014-15, an increase of three per cent on last year. The average volume of household water use, however, reduced by two kilolitres (kL) from 286kL to 284kL per year.



Busselton Water is focused on building a strong platform for growth based on improved efficiency, optimisation of existing resources, innovation and selective business acquisition.

Long-term planning

During the reporting period, a 30 year infrastructure plan has been completed and a 30 year financial plan is underway.

A business development strategy has identified potential new income streams from water sales and water related services. This will ensure Busselton Water has the capacity to improve service to our community, while keeping pace with escalating demand and emerging water challenges.



Landmark legislative and regulatory changes have created the framework for Busselton Water to expand its business, both geographically and into new service areas (subject to Government approval).

Corporatisation in 2013 opened the door to competitive markets. In 2014, Busselton Water's operating licence was amended to cover a bigger operating area and allow diversification in potable and non-potable water supply, sewerage and drainage services.

Our operating area now spans 688,700 hectares incorporating the City of Busselton and the Shires of Capel, Augusta-Margaret River and Nannup.

Potential for expansion

During the year, Busselton Water progressed a business case to support growth opportunities it believes will deliver significant benefits. The work related to two potential growth opportunities: the management of the Dunsborough/Yallingup Water Supply Scheme and the management of Busselton's rural drainage and flood protection services (these opportunities are subject to Government approval, which has not been provided as yet).

Merging the Busselton Water Supply Scheme and the Dunsborough/Yallingup Water Supply Scheme has the potential to bring a range of benefits to both Busselton and Dunsborough customers.

Busselton Water proposes to optimise the use of infrastructure across the two schemes and continue to use the Yarragadee groundwater source to underpin the long-term security of the combined scheme. In addition, the possibility of non-potable water solutions for community recreation areas is being investigated.

During the year, we also explored the opportunity to manage Busselton's rural drainage and flood protection services, including commencing a pilot study in the Buayanyup sub-catchment. The study will conclude in 2015-16 and involves close consultation with local communities and stakeholders in the catchment to identify practical management practices to improve water quality in rural drains. The study was established in partnership with the Water Corporation, the City of Busselton, the Department of Water and GeoCatch.

Corporate governance

In the transition period following corporatisation in 2013, Busselton Water established a strong corporate governance framework and ensured all requirements contained within the *Water Corporations Act 1995* were addressed in our Board Charter.

A comprehensive review of our policies, procedures and controls in 2014-15 and our risk management processes ensure we deliver the commitments set out in the Board Charter and our compliance to relevant Premier's circulars.

This section of the annual report describes our corporate governance framework.

The Board of Directors

Busselton Water is required to have a board that comprises six or seven persons appointed by the Governor on the Minister for Water's nomination.

At the time of appointment, nominees will reside in the Busselton Water operating licence area so far as is necessary to maintain a majority of directors to be residents of the licence area.

Directors are appointed for a term of three years and are eligible for re-appointment. Appointments are staggered to ensure that one third of the Directors retire each year. Subject to reappointment, there is no limit on the time a Director may serve on the Board.

The Governor, on the Minister's nomination, appoints the Chairman and Deputy Chair.

Key activities

Each year the Board, in consultation with the Senior Executive Group, develops a Statement of Corporate Intent (SCI) to provide direction in the coming 12 month period. A five-year Strategic Development Plan is updated each year to provide longer term direction. Both plans were presented to the Minister for Water for the 2014-15 reporting period.

The SCI is accessible to the public and communicates our objectives for the coming year.

At monthly meetings, the Board monitors financial and operational performance and considers progress toward our vision through each objective in Water Quality, Engagement, Business Sustainability, People, Asset Management, Environment and Growth.

Changes to the Board

Ms Yvonne Robinson vacated her position on 13 October 2014

Mr Geoffery Oddy was appointed for a term expiring on 31 May 2017

Mr Paul Carter was re-appointed for a term expiring on 31 May 2017

Mr Chris Boulton was re-appointed for a term expiring on 31 May 2018

Mr Matthew Walker was re-appointed for a term expiring on 31 May 2018

Audit Committee

The Audit Committee is chaired by Mr Paul Carter and includes Mr Chris Boulton and Mr Angus Smith. Each member has considerable corporate and financial experience and the skills to undertake the Committee's responsibilities.

The Audit Committee assists the Board in fulfilling its responsibilities for the financial reporting process, internal controls, risk management and the audit process. The committee oversees the internal audit function and liaises with the external auditor.

The Audit Committee invites input and attendance by the Chief Executive Officer and Senior Executive Group members. External attendees during the year included internal auditors.

Accountability and independence

As prescribed in Schedule 2 of the *Water Corporations Act 1995*, Directors are to act honestly, exercise reasonable care and due diligence, not make improper use of information or position, act with loyalty and good faith and disclose all material personal interest in matters involving Busselton Water which are raised in Board meetings.

The Board has complete independence to determine the policies and control the affairs of the corporation subject to restrictions imposed by the *Water Corporations Act 1995*.

Ministerial directions

Under Section 64(1) of the *Water Corporations Act 1995* the Minister for Water may give direction in writing to Busselton Water and subject to Section 65, Busselton Water is to give effect to any such direction. During 2014-15 no directions were received from the Minister.

CORPORATE GOVERNANCE REPORT

Governance framework

The *Water Corporations Act 1995* gives authority to the Board of Busselton Water to perform the functions, determine the policies and control the affairs of Busselton Water.

The Board is responsible for corporate governance and approves our Strategic Development Plan, Statement of Corporate Intent, budgets and policies. It ensures legal compliance and risk management are effectively managed.

The Board remain informed and monitor performance through comprehensive monthly reporting.

Internal control

The Board, through the Audit Committee, has oversight for the financial reporting process, the system of internal controls, and the internal and external audit processes.

Busselton Water's internal control structure includes clear lines of accountability and delegation of authority. The Senior Executive Group has responsibility for maintaining internal controls in the delivery of Busselton Water's strategic objectives.

Strategic implementation plans are monitored monthly to ensure the risk of not achieving organisational objectives is identified and appropriately managed and mitigated.

Internal audit and review

The Audit Committee, in discussion with the Senior Executive Group, sets the scope of the Internal Audit program for a rolling three year period. The quality of our internal controls and audits is improved by referencing ad-hoc audit reports from the Office of the Auditor General.

Internal audits are outsourced within a three year agreement and conducted annually. Internal audit findings are actioned and closed under the direction of the Audit Committee.

External auditors

The *Water Corporations Act 1995* requires that our financial reports for each financial year are audited by the Office of the Auditor General. Any audit findings are actioned and closed out under the direction of the Audit Committee.

Performance monitoring and reporting

Busselton Water provides quarterly and annual reports for the Minister for Water detailing performance and progress towards achieving the commitments set out in our Statement of Corporate Intent.

Monthly management reports inform the Senior Executive Group of performance and progress toward achieving objectives. In addition, ongoing monitoring of Operations and Business Services annual 'Business Unit Plans' is achieved through exception reports. The Chief Executive Officer Report draws from this information to interpret results and inform the Board of Directors.

We report annually to the Economic Regulation Authority (ERA) on our compliance with performance standards set out in our Operating Licence WL3 Version 7.

Ethical standards

The Board Charter sets out the role and responsibilities of the Board. The Board has adopted both the Busselton Water Code of Conduct and the Code of Conduct for Directors produced by the Australian Institute of Company Directors.

In 2014-15, the Busselton Water Code of Conduct was reviewed and endorsed by the Board and published on our website. Our progress in achieving compliance with our Code of Conduct is reported annually to the Public Sector Commission.

Managing financial exposures

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, while 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.

CORPORATE GOVERNANCE REPORT

Information security management

During 2014-15 Busselton Water made significant investment to improve our information management infrastructure and communications technology. Projects included key software upgrades, fibre optic cabling between sites, mobile capabilities and improved disaster recovery capabilities.

State Records Act 2000

In accordance with Section 61 of the *State Records Act 2000* and the State Records Commission's Standard (Standard 2 - Principle 6), Busselton Water is required to have a Record Keeping Plan approved by the Minister for Water. The renewal of our Record Keeping Plan coincided with corporatisation and subsequent legislative change and our current Record Keeping Plan was approved by the Minister in June 2014.

During 2014-15 record-keeping training was provided for new employees and included familiarisation with the document management policy and procedures. Record-keeping software was upgraded during the year to support full implementation of the Record Keeping Plan.

Public Interest Disclosure Statement

The *Public Interest Disclosures Act 2003* has been enacted to protect the privacy and confidentiality of the individual making a public interest disclosure and the subject of that disclosure.

Busselton Water has appointed a Public Interest Disclosure Officer and we have internal procedures to support disclosures.

There were no public interest disclosures during 2014-15.

Conflicts of interest

The Board Charter and Busselton Water Code of Conduct set specific standards in relation to conflicts of interest. Conflicts may be perceived, potential or actual.

Procedures are in place to identify, declare and manage conflicts of interest where private or personal interests conflict with Busselton Water duties.

Freedom of information

In accordance with Section 96 of the *Freedom of Information Act 1992* Busselton Water has published a Freedom of Information Statement. The statement can be found on our website at www.busseltonwater.wa.gov.au. Its purpose is to provide members of the public with information on how to access documents we may hold.

During the year, no requests for information were made.

Advertising codes

Busselton Water complies with the Advertising Federation of Australia Code of Ethics. There were no breaches or complaints recorded during the year.

Reportable expenditure

The *Electoral Act 1907* requires Busselton Water to disclose our expenditure with advertising agencies, media advertising and market research. Total expenditure in 2014-15 was \$28,757. Expenditure in each category is set out below:

Category	Expense \$
Market research	Nil
Media advertising	
Rural Press Regional Media (water efficiency measures)	1,137
Marketforce Productions (notices for proposed maintenance, recruitment, water efficiency measures)	27,620

Directors' report

The Directors of Busselton Water present their report for the 12 month period ending 30 June 2015.

Directors

The following persons were Directors of Busselton Water at the date of this report:

Helen Shervington (Chair)

Director since: October 2011

Chair since: July 2012

Paul Carter (Deputy Chair)

Director since: December 2010

Deputy Chair since: November 2014

Christopher Boulton

Director since: June 2012

Matthew Walker

Director since: January 2013

William Angus Smith

Director since: August 2013

Geoffery Oddy

Director since: October 2014

Please also see details of the Directors' qualifications and experience on pages 13 and 14.

Directors' meetings

Attendance by Directors at meetings held during the financial year ended 30 June 2015 is set out in the table below:

Director	Board		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Helen Shervington	12	10		
Paul Carter	12	10	3	3
Yvonne Robinson	3	1		
Christopher Boulton	12	10	3	3
Matthew Walker	12	12		
William Angus Smith	12	10	3	3
Geoffery Oddy	9	9		

Senior Executive

The Senior Executives of Busselton Water at the date of this report:

Three highest paid employees	Title	Year ended 30 June 2015
Christopher Elliott	Chief Executive Officer	✓
Robin Belford	General Manager Operations	✓
Vivienne MacCarthy	General Manager Business Services	✓

Principal activities

Busselton Water was established as a Corporation in November 2013 under the provisions of the *Water Corporations Act 1995*. Our principal activity is to extract, store, treat, distribute and sell water to the Busselton area. In addition, we maintain and operate the assets and systems required to for these purposes. We provide these services under this Act and subsidiary legislation which control the water industry.

While there has been no significant change in activities in 2014-15, Busselton Water is considering options for growth and expansion into all water services.

Operating results

We made a surplus of \$4.0 million in 2014-15, (2013-14: \$4.0 million). On an after tax equivalent basis, the surplus was \$2.6 million (2013-14: \$2.8 million).

Dividends

Being our first full year of corporatisation no dividends were payable.

CORPORATE GOVERNANCE REPORT

Dividends declared after end of year

After the balance sheet date, the Directors have proposed a final dividend of \$1.4 million for the 2014-15 year, payable on or before 31 December 2015.

The financial impact of the dividend has not been brought to account in the financial statements for the year ended 30 June 2015 and will be recognised in subsequent reports.

Review of operations

Busselton Water operates within a regulatory framework comprising the Economic Regulation Authority, the Department of Water, the Department of Health and the Department of Environmental Regulation.

The Busselton Water Statement of Corporate Intent (SCI) provides clear direction through objectives and performance targets.

Busselton Water achieved well against all performance targets set out in the SCI 2014-15.

Remuneration report

Director's emoluments

The Minister determines the emoluments of the Board of Directors.

Total remuneration band	No. of Directors ¹	Short-term remuneration \$000's	Non-monetary benefits \$000's	TBR ³ \$000's	Post-employment superannuation \$000's	Other-long term benefits ⁴ \$000's	Total \$000's
0-10,000	3 ²	7	-	-	1	-	8
10,001-20,000	3	12	-	-	1	-	13
20,001-30,000	1	25	-	-	2	-	27

¹ Where there is more than one Director in a remuneration band the average remuneration is shown

² In accordance with the *Water Corporations Act 1995*, remuneration is not paid to one Director who holds a full-time position that is remunerated out of moneys appropriated by Parliament

³ Target-based reward scheme

⁴ Other long-term benefits refer to long service leave

Executive emoluments

In accordance with S13 (3) of the *Water Corporations Act 1995*, the Board obtains concurrence of the Minister for Water before setting or altering compensation for the Chief Executive Officer. Compensation for the Chief Executive Officer and Senior Executives is benchmarked against local industry standards and is set to attract and retain the talent and experience required to deliver strategic objectives. The number of employees whose total remuneration falls within the following bands is:

Total remuneration band	No. of staff ¹	Short-term remuneration ² \$000's	Non-monetary benefits ³ \$000's	TBR ⁴ \$000's	Post-employment superannuation \$000's	Other-long term benefits ⁵ \$000's	Total \$000's
100,001-150,000	1	112	-	-	11	3	126
150,001-200,000	2	154	6	-	14	-	174
250,001-300,000	1	223	16	-	21	1	261

¹ Where there is more than one employee in a remuneration band the average remuneration is shown

² Includes base remuneration and annual leave accruals

³ Private use of motor vehicle

⁴ Target-based rewards scheme

⁵ Other long-term benefits refer to long service leave

CORPORATE GOVERNANCE REPORT

Environmental performance

Busselton Water operates within Commonwealth and State environmental laws including the *Environment Protection and Biodiversity Conservation Act (Cth) 1999* and the *Environmental Protection Act 1986 (WA)*.

Under the *Environmental Protection Act*, we are registered to disclose backwash water to the environment. Should an unplanned discharge with potential to harm the environment occur, our incident management process ensures a fast and effective response to these and other incidents.

Environmental performance is underpinned by our Environment Policy which enables systematic identification of environmental risks and development of environmental improvement plans to reduce risks and ensure our activities are sustainable.

State of affairs

There were no significant changes during the year ended 30 June 2015 in the state of affairs of Busselton Water not otherwise disclosed in this report, or the financial statements.

Events subsequent to balance date

Since the end of the financial year ending 30 June 2015 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect Busselton Water's operations, the results of those operations or Busselton Water's state of affairs in subsequent financial periods.

Likely developments

During the financial year, Busselton Water progressed a business case to support growth opportunities which have the potential to deliver significant benefits. The work related to two potential growth opportunities: the management of the Dunsborough/Yallingup Water Supply Scheme and the management of Busselton's rural drainage and flood protection services.

The business case will propose the transfer of related assets from the Water Corporation to Busselton Water and will be submitted to the Minister for Water by December 2015.

Director's interest and benefits

In the 12 month period ending 30 June 2015, no Director or Auditor received, or became entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by Directors) by reason of a contract made by Busselton Water with the Director, or with a firm, of which the Director is a member, or with an entity in which the Director has a substantial interest.

Indemnification of Directors and Auditors

In the 12 month period ending 30 June 2015, Busselton Water has not indemnified against a liability, a person who is, or has been, a Director or auditor of Busselton Water. During the period ending 30 June 2015, Busselton Water paid insurance premiums in respect of Director's and Officer's liability insurance for any past, present or future Commissioner, Director, Board/Committee member, Executive Officer or employee of Busselton Water.

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



Helen Shervington
Chair



Paul Carter
Deputy Chair

Busselton, 31 August 2015



FINANCIAL REPORT

for the year ended 30 June 2015

DIRECTORS' DECLARATION

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DIRECTORS' DECLARATION

In the opinion of the Directors of Busselton Water Corporation:

- (a) the financial statements and notes are in accordance with the *Water Corporations Act 1995*, including:
 - (i) giving a true and fair view of Busselton Water's financial position as at 30 June 2015 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) there are reasonable grounds to believe that Busselton Water will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Helen Shervington
Chair
Busselton Water Corporation



Paul Carter
Member of Busselton Water Corporation

Date: 31 August 2015



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

BUSSELTON WATER CORPORATION

I have audited the financial report of Busselton Water Corporation. The financial report comprises the Statement of Financial Position as at 30 June 2015, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Opinion

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

- (a) giving a true and fair view of the Corporation's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Busselton Water Corporation for the year ended 30 June 2015 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

GLEN CLARKE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
4 September 2015

FINANCIAL REPORT

Statement of Comprehensive Income for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
INCOME			
Revenue			
Water Sales Revenue	6	8,486,953	7,932,344
Operating Subsidy Contributions	7	483,741	-
Developer Contributions - Headworks	8	1,690,857	2,083,211
Developer Contributions - Mains	8	460,234	369,515
Interest Revenue	9	475,249	431,104
Other Revenue	10	297,197	223,885
TOTAL INCOME		11,894,230	11,040,058
EXPENSES			
Cost of Sales	11	3,030,531	2,865,787
Depreciation Expense	12	1,821,233	1,579,129
Administration Expenses	13	1,837,563	1,510,800
Finance Costs	14	102,523	112,828
Other Expenses	15	1,012,535	837,886
Loss on Disposal of Non-current Assets	16	79,843	22,849
Impairment of Non-current Assets	25	55,593	61,068
TOTAL EXPENSES		7,939,820	6,990,346
Profit before income tax equivalent expense		3,954,410	4,049,712
Income Tax Equivalent Expense	32	(1,359,232)	(1,228,474)
Profit after income tax equivalent expense		2,595,178	2,821,238
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	30	144,642	(59,926)
Total Other Comprehensive Income		144,642	(59,926)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,739,820	2,761,312

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

FINANCIAL REPORT

Statement of Financial Position as at 30 June 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash & Cash Equivalents	17	652,870	917,648
Other Financial Assets	18	11,700,000	11,290,000
Receivables	19	3,571,050	2,849,942
Inventories	20	401,761	405,330
Other Assets	21	85,315	28,282
Total Current Assets		16,410,996	15,491,201
Non-Current Assets			
Property, Plant and Equipment	22	65,608,641	64,022,240
Intangible Assets	24	127,327	83,268
Total Non-Current Assets		65,735,968	64,105,508
TOTAL ASSETS		82,146,964	79,596,709
LIABILITIES			
Current Liabilities			
Payables	26	1,256,932	562,850
Borrowings	27	245,501	234,665
Provisions	28	731,366	636,201
Current Tax Liabilities		184,103	752,371
Other Current Liabilities	29	66,235	69,061
Total Current Liabilities		2,484,137	2,255,148
Non-Current Liabilities			
Provisions	28	58,276	35,678
Borrowings	27	1,648,439	1,893,940
Deferred Tax Liabilities	32	12,090,990	12,286,641
Total Non-Current Liabilities		13,797,705	14,216,259
TOTAL LIABILITIES		16,281,841	16,471,407
NET ASSETS		65,865,123	63,125,303
EQUITY	30		
Reserve Fund		9,499,699	9,965,467
Reserves		30,763,871	30,619,229
Retained Earnings		25,601,553	22,540,606
TOTAL EQUITY		65,865,123	63,125,303

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

FINANCIAL REPORT

Statement of Changes in Equity for the year ended 30 June 2015

	Notes	Reserves \$	Retained Earnings \$	Total Equity \$
Balance as at 1 July 2013	30	38,661,472	21,702,519	60,363,991
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	-
Balance at 30 June 2014		40,584,696	22,540,606	63,125,303
Balance as at 1 July 2014		40,584,696	22,540,606	63,125,303
Total comprehensive income for the year		144,642	2,595,178	2,739,820
Transfers to reserves		4,050,320	(4,050,320)	-
Transfers from reserves		(4,516,089)	4,516,089	-
Balance at 30 June 2015		40,263,570	25,601,553	65,865,123

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

FINANCIAL REPORT

Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from Rates & Water Sales		7,906,894	7,604,001
Interest Received		605,271	381,210
Developers Contributions		1,763,867	2,225,771
GST Receipts on Sales		35,811	35,033
GST Receipts From Taxation Authority		398,103	298,194
Other Receipts		17,266	248,750
		10,727,211	10,792, 959
Payments			
Payment to Suppliers & Employees		(5,059,278)	(5,517,644)
Finance Costs		(102,523)	(112,828)
GST Payments on Purchases		(490,850)	(358,578)
NET CASH PROVIDED BY OPERATING ACTIVITIES	31	(5,074,561)	(4,803,910)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the Sale of Non-Current Physical Assets		139,847	19,545
Purchase of Non-Current Physical Assets		(3,339,752)	(1,350,517)
NET CASH USED IN INVESTING ACTIVITIES		(3,199,905)	(1,330,972)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(234,665)	(224,306)
NET CASH PROVIDED BY FINANCING ACTIVITIES		(234,665)	(224,306)
CASH FLOWS TO STATE GOVERNMENT			
Operating Subsidy Contributions		483,741	-
Taxation Equivalent		(1,978,509)	(97,825)
NET CASH PROVIDED TO STATE GOVERNMENT		(1,494,768)	(97,825)
Net increase / (decrease) in cash and cash equivalents		145,223	3,150,806
Cash and cash equivalents at the beginning of period		12,207,648	9,056,842
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	31	12,352,870	12,207,648

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

FINANCIAL REPORT

Notes to the Financial Statements

Note 1 Australian Accounting Standards

General

Busselton Water's financial statements for the year ended 30 June 2015 have been prepared in accordance with Australian Accounting Standards. The term "Australian Accounting Standards" includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

Early Adoption of Standards

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 2015.

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 the *Water Corporations Act 1995* and Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) except for AASB 124 Related Party Disclosures (which is not applicable to not-for-profit entities).

(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 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.

Operating Subsidies

Operating Subsidy contributions are recognised as revenue when there is reasonable assurance that they will be received and Busselton Water has complied with the conditions attached to them. Operating Subsidy's are received from the State Government for:

- Revenue foregone, from rebates and concessions to Pensioners, Seniors and various exempt bodies on annual service charges and water consumption charges; and
- Ex-gratia allowance (plus agreed administration) to customers who have experienced an increase in water consumption, which is subsequently discovered to have resulted from a hidden leak or a burst in the internal water system.

(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 Department of Treasury. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

As a consequence of participation in the NTER, 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) Dividends

Dividends are recognised as a liability in the period in which they are declared. Dividends are calculated with respect to 65 per cent of net profit of the Corporation for the financial year after first taking into account any amounts payable to the Treasurer for payment of amount in lieu of rates and exclusion of developer hand-over assets.

(g) 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.

(h) 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 License 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 22 '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 22 '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.

FINANCIAL REPORT

Notes to the Financial Statements

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
Plans	2 to 60 Years
Tools	3 to 16 Years

Land is not depreciated.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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 period. 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.

(q) 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.

(r) 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.

(s) 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 per cent 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".

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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'.

(t) Joint Operations

Busselton Water has interests in joint arrangements that are joint operations. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A joint operation involves the use of assets and other resources of the venturers rather than the establishment of a separate entity. Busselton Water recognises its interests in the joint operations by recognising the assets its controls and the liabilities that it incurs in respect of the joint arrangement. Busselton Water also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint operations.

(u) 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 2014 that impacted on Busselton Water.

Int 21	<p>Levies</p> <p>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.</p>
ASB 11	<p>Joint Arrangements</p> <p>This Standard, issued in August 2011, supersedes AASB 131 <i>Interests in Joint Ventures</i>, introduces new principles for determining the type of joint arrangement that exists, which are more aligned to the actual rights and obligations of the parties to the arrangement.</p> <p>There is no financial impact for Busselton Water as the new standard continues to require the recognition of Busselton Water's share of assets and liabilities for the unincorporated joint operation.</p>
AASB 12	<p>Disclosure of Interests in Other Entities</p> <p>This Standard, issued in August 2011, supersedes disclosure requirements in AASB 127 <i>Consolidated and Separate Financial Statements</i>, AASB 128 <i>Investment in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i>. There is no financial impact.</p>
AASB 1031	<p>Materiality</p> <p>This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality not available in IFRSs and refers to guidance on materiality in other Australian pronouncements. There is no financial impact.</p>
AASB 2012-3	<p>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</p> <p>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. There is no financial impact.</p>
AASB 2013-3	<p>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</p> <p>This Standard introduces editorial and disclosure changes. There is no financial impact.</p>
AASB 2013-9	<p>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.</p> <p>Part B of 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. It has no financial impact.</p>
AASB 2014-1	<p>Amendments to Australian Accounting Standards</p> <p>Part A of this Standard consists primarily of clarifications to Accounting Standards and has no financial impact for Busselton Water.</p> <p>Part B of this Standard has no financial impact as Busselton Water contributes to schemes that are either defined contribution plans, or deemed to be defined contribution plans.</p> <p>Part C of this Standard has no financial impact as it removes references to AASB 1031 <i>Materiality</i> from a number of Accounting Standards.</p>

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Future impact of Australian Accounting Standards not yet operative

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.

		<i>Operative reporting periods beginning on/after</i>
AASB 9	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9, and, AASB 2014-1 Amendments to Australian Accounting Standards. Busselton Water has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>This Standard establishes the principles that Busselton Water shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Busselton Water has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2017
AASB 2010-7	<p><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 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. Busselton Water has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2013-9	<p><i>Amendments to Australian Accounting Standards Conceptual Framework, Materiality and Financial Instruments.</i></p> <p>Part C of this omnibus Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. Busselton Water has not yet determined the application or the potential impact of AASB 9.</p>	1 Jan 2015
AASB 2014-1	<p><i>Amendments to Australian Accounting Standards</i></p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by Busselton Water to determine the application or potential impact of the Standard.</p>	1 Jan 2015
AASB 2014-3	<p><i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]</i></p> <p>Busselton Water establishes Joint Operations in pursuit of its objectives and does not routinely acquire interests in Joint Operations. Therefore, there is no financial impact on application of the Standard.</p>	1 Jan 2016
AASB 2014-4	<p><i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]</i></p> <p>The adoption of this Standard has no financial impact for Busselton Water as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.</p>	1 Jan 2016
AASB 2014-5	<p><i>Amendments to Australian Accounting Standards arising from AASB 15</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including interpretations) arising from the issuance of AASB 15. Busselton Water has not yet determined the application or potential impact of the Standard.</p>	1 Jan 2017

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*Operative reporting
periods beginning
on/after*

AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i> This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). Busselton Water has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 2014-8	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]</i> This Standard makes amendments to AASB 9 <i>Financial Instruments</i> (December 2009) and AASB 9 <i>Financial Instruments</i> (December 2010), arising from the issuance of AASB 9 <i>Financial Instruments</i> in December 2014. Busselton Water has not yet determined the application or the potential impact of the Standard.	1 Jan 2015
AASB 2015-1	<i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]</i> These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012-2014 Cycle in September 2014, and editorial corrections. Busselton Water has not yet determined the application or the potential impact of the Standard.	1 Jan 2016
AASB 2015-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]</i> This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.	1 Jan 2016
AASB 2015-3	<i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i> This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.	1 Jul 2015

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Notes to the Financial Statements

Note 6 Water Sales Revenue

	2015 \$	2014 \$
Water Consumption	5,528,768	5,066,271
Connection Fees	299,756	448,206
Standard Supply Charge	2,597,775	2,363,247
Meter Reading Charges	22,804	19,590
Other Water Sales	37,850	35,031
	8,486,953	7,932,344

Note 7 Operating Subsidy Contributions

	2015 \$	2014 \$
Operating Subsidy Contributions	483,741	-
	483,741	-

From 1 July 2014 Busselton Water became eligible under the *Water Corporations Act 1995* to receive Operating Subsidy payments for non-commercial activities engaged in at the direction of the State Government.

Note 8 Developer Contributions

	2015 \$	2014 \$
Headworks contributions - Cash	1,690,857	2,083,211
	1,690,857	2,083,211
Developer mains contributions - Cash	73,011	142,560
Developer mains contributions - Non-Cash	387,224	226,955
	460,234	369,515

Note 9 Interest Revenue

	2015 \$	2014 \$
Busselton Water invested excess funds and received the following interest:		
Interest on Water Fund	61,267	58,583
Interest on Reserves	413,981	372,520
	475,249	431,104

Note 10 Other Revenue

	2015 \$	2014 \$
Backflow Prevention Device Testing Fees	29,892	29,425
Private Works & Sundry Income	16,986	24,985
Operating lease revenue	11,475	11,087
Meter Reading	58,142	52,996
Other Receipts & Services	180,702	105,391
	297,197	223,885

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	11,877	11,475
Later than 1 year and not later than 5 years	51,812	50,060
Later than 5 years	14,106	13,629
	77,795	75,164

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Notes to the Financial Statements

Note 11 Cost of Sales

	2015 \$	2014 \$
Pumping	690,090	724,521
Maintenance: General Production Plant	1,100,870	1,036,076
Mains & Meters	708,568	556,755
Net Vehicle Running Expenses	23,562	44,396
Net Operations Overhead	(75,166)	(81,331)
Net Stock Allocated	1,346	(2,865)
Meter Reading Costs	20,042	18,559
Water Sampling & Monitoring Fees	561,219	569,676
	3,030,531	2,865,787

Note 12 Depreciation Expense

	2015 \$	2014 \$
Freehold Land Improvements	36,230	48,830
Plant, Machinery and Buildings	618,323	646,392
Motor Vehicles	67,972	53,700
Mains and Services	667,637	657,345
Meters	360,389	121,005
Tools	3,821	6,851
Office Equipment	66,861	45,006
	1,821,233	1,579,129

Note 13 Administration Expense

	2015 \$	2014 \$
Salaries	1,139,388	978,155
Salary on Costs & Staff Expenses	127,527	108,970
Office Expenses	451,225	313,499
Stationery & Printing	24,064	19,532
Advertising	211	402
Bank Charges	28,214	26,624
Audit Fees	54,876	62,709
Legal Expenses	4,645	907
Other Administration Expenses	7,164	-
Bad Debts Written Off	250	-
	1,837,563	1,510,800

Note 14 Finance Costs

	2015 \$	2014 \$
Loan Guarantee Fee	9,870	9,816
Interest Expense	92,652	103,012
	102,523	112,828

Note 15 Other Expenses

	2015 \$	2014 \$
Members Expenses	138,519	64,697
Other Governance	150,707	91,223
Pensioner Rate Rebate	431,635	380,838
Consulting Fees	42,844	67,499
Private Works	47,327	50,487
Other Costs & Staff Expenses	201,502	154,466
Sundry Expenditure	-	28,677
	1,012,535	837,886

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Notes to the Financial Statements

Note 16 Net Gain/(Loss) on Disposal of Non-Current Assets

	2015 \$	2014 \$
<u>Cost of Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	(219,690)	(42,395)
<u>Proceeds from Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	139,847	19,545
Net (loss)	(79,843)	(22,849)

Note 17 Cash and Cash Equivalents

	2015 \$	2014 \$
<u>Water Fund Cheque Account (at 1.75% as at 30.06.2015)</u>	541,770	366,548
The Corporation has an overdraft limit of \$15,000 on this account.		
<u>24 Hour Cash Call Account (at 1.9% as at 30.06.2015)</u>	110,000	550,000
<u>Cash on Hand</u>	1,100	1,100
	652,870	917,648

2014 comparatives have been reclassified from the 24 Hour Cash Call Account as they relate to the Water Fund Cheque Account.

Note 18 Other Financial Assets

	2015 \$	2014 \$
<u>Fixed Term Deposits Held to Maturity</u>		
Reserve Investments: (at 3.27% average)	9,550,000	10,000,000
Water Fund Investments: (at 3.19% average)	2,150,000	1,290,000
	11,700,000	11,290,000

Note 19 Receivables

	2015 \$	2014 \$
Includes all amounts due to Busselton Water from operations.		
Rates/Std Supply Charge Debtors	824,451	682,580
Excess Water/Consumption Debtors	2,232,894	1,795,441
Deferred Rates/Charges	5,784	5,784
Late Payment Penalty	4,644	8,184
Fire Services	13,457	10,953
Settlement Reading Fees	7,867	5,375
Miscellaneous Fees	1,693	2,027
Sundry Debtors	114,008	73,674
GST (Net Receivable from ATO)	126,885	69,948
Miscellaneous Debtors	239,368	195,975
	3,571,050	2,849,942

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.

Note 20 Inventories

	2015 \$	2014 \$
<u>Current</u>		
Raw Materials and Stores (at cost)	401,761	405,330

Note 21 Other Assets

	2015 \$	2014 \$
<u>Prepayments</u>	85,315	28,282

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Notes to the Financial Statements

Note 22 Property, Plant and Equipment

	2015 \$	2014 \$
Land at Fair Value	3,871,000	3,871,000
Capital Works in Progress	1,821,970	692,967
Freehold Land Improvements at Fair Value	637,300	637,300
Accumulated Depreciation	(85,060)	(48,830)
	552,240	588,470
Plant & Machinery at Fair Value	14,371,551	13,816,711
Accumulated Depreciation	(1,056,705)	(544,404)
	13,314,846	13,272,307
Buildings at Fair Value	2,440,275	2,423,682
Accumulated Depreciation	(198,167)	(100,702)
	2,242,107	2,322,980
Motor Vehicles at Fair Value	794,477	620,590
Accumulated Depreciation	(87,323)	(53,700)
	707,154	566,890
Mains and Services at Fair Value	40,782,924	39,798,205
Accumulated Depreciation	(1,324,982)	(657,345)
	39,457,942	39,140,861
Meters at Fair Value	3,932,114	3,603,917
Accumulated Depreciation	(481,394)	(121,005)
	3,450,720	3,482,911
Tools at Fair Value	50,250	50,250
Accumulated Depreciation	(10,672)	(6,851)
	39,578	43,399
Office Equipment & Furniture at Fair Value	166,823	49,269
Accumulated Depreciation	(15,739)	(8,814)
	151,084	40,455
TOTAL PROPERTY, PLANT AND EQUIPMENT	65,608,641	64,022,240

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Notes to the Financial Statements

Note 22 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 and 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 23.

Reconciliation of Carrying Amount

Reconciliations of the carrying amounts for each class of property, plant and 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
2015								
Land at Fair Value	3,871,000							3,871,000
Freehold Land Improvements	588,470				(36,230)			552,240
Capital Works in Progress	692,967	1,686,056	(501,460)			(55,593)		1,821,970
Plant & Machinery	13,272,307	325,037	281,173	(42,813)	(520,858)			13,314,846
Buildings	2,322,980	16,593			(97,465)			2,242,107
Motor Vehicles	566,890	380,887		(172,651)	(67,972)			707,154
Mains & Services	39,140,861	764,431	220,287		(667,637)			39,457,942
Meters	3,482,911	328,198			(360,389)			3,450,720
Tools	43,399				(3,821)			39,578
Office Equipment	40,455	125,614		(4,226)	(10,759)			151,084
	64,022,240	3,626,816	-	(219,690)	(1,765,131)	(55,593)	-	65,608,641

	Carrying Amt At Beginning of Period	Additions	Transfers	Disposals/ W'downs	Depreciation	Impairment Losses	Revaluation Adjustment	Carrying Amt at End of Period
2014								
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
	64,092,973	1,577,472	-	(42,395)	(1,542,937)	(62,874)	-	64,022,240

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Notes to the Financial Statements

Note 23 Fair Value Measurements

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair value At end of period
2015	\$	\$	\$	\$
Land at Fair Value		1,400,000	2,471,000	3,871,000
Freehold Land Improvements			552,240	552,240
Plant & Machinery			13,314,846	13,314,846
Buildings			2,242,107	2,242,107
Motor Vehicles			707,154	707,154
Mains & Services			39,457,942	39,457,942
Meters			3,450,720	3,450,720
Tools			39,578	39,578
Office Equipment			151,084	151,084
Intangible Assets			127,327	127,327
	-	1,400,000	62,513,997	63,913,997

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair value At end of period
2014	\$	\$	\$	\$
Land at Fair Value		1,400,000	2,471,000	3,871,000
Freehold Land Improvements			588,470	588,470
Plant & Machinery			13,272,307	13,272,307
Buildings			2,322,980	2,322,980
Motor Vehicles			566,890	566,890
Mains & Services			39,140,861	39,140,861
Meters			3,482,911	3,482,911
Tools			43,399	43,399
Office Equipment			40,455	40,455
Intangible Assets			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.

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Notes to the Financial Statements

Note 23 Fair Value Measurements (continued)

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
2015	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fair value at start 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
Additions			325,037	16,593	380,887	764,431	328,198		125,614	100,160
Transfers (from/(to) WIP			281,173			220,287				
Revaluation increments/(decrements) recognised in Profit or Loss										
Revaluation increments/(decrements) recognised in Other Comprehensive Income										
Transfers (from/(to) Level 2)										
Disposals			(42,813)		(172,651)				(4,226)	
Depreciation Expense		(36,230)	(520,858)	(97,465)	(67,972)	(667,637)	(360,389)	(3,821)	(10,759)	(56,101)
Fair value at end of period	2,471,000	552,240	13,314,846	2,242,107	707,154	39,457,942	3,450,720	39,578	151,084	127,327
Total gains or losses for the period included in profit or loss, under 'Loss on Disposal and Impairment'			42,813		35,804				1,226	
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period.										

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Notes to the Financial Statements

Note 23 Fair Value Measurements (continued)

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.										

Note 23 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 valuations of land, buildings and infrastructure are 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.

Note 23 Fair Value Measurements (continued)

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

Description	Fair Value 2015 \$	Fair Value 2014 \$	Valuation techniques	Unobservable inputs	Range of unobservable inputs (weighted average) 2015	Range of unobservable inputs (weighted average) 2014	Relationship of unobservable inputs to fair value
Land	2,471,000	2,471,000	Market approach	Selection of land with similar approximate utility	\$6.13 - \$39.66 per m2 (\$26.61 per m2)	\$6.13 - \$39.66 per m2 (\$26.61 per m2)	Higher value of similar land increases estimated fair value
Freehold Land Improvements	552,240	588,470	Depreciated Replacement Cost	Consumed economic benefit / obsolescence of asset	0.14% to 12.62% per year (0.61% per year)	0.14% to 8.39% per year (0.57% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Plant & Machinery	13,314,846	13,272,307	Depreciated Replacement Cost	Consumed economic benefit / obsolescence of asset	0.00% to 33.61% per year (0.38% per year)	0.02% to 50.55% per year (0.42% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Buildings	2,242,107	2,322,980	Depreciated Replacement Cost	Consumed economic benefit / obsolescence of asset	0.08% to 2.86% per year (0.25% per year)	0.08% to 50.69% per year (0.31% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Motor Vehicles	707,154	566,890	Depreciated Replacement Cost	Consumed economic benefit / obsolescence of asset	0.00% to 1.89% per year (1.15% per year)	0.37% to 53.68% per year (1.46% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value

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Notes to the Financial Statements

Note 23 Fair Value Measurements (continued)

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

Description	Fair Value 2015 \$	Fair Value 2014 \$	Valuation techniques	Unobservable inputs	Range of unobservable inputs (weighted average) 2015	Range of unobservable inputs (weighted average) 2014	Relationship of unobservable inputs to fair value
Mains & Services	39,457,942	39,140,861	Depreciated Replacement Cost	Consumed economic benefit / obsolescence of asset	0.02% to 0.07% per year (0.02% per year)	0.02% to 0.06% per year (0.02% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Meters	3,450,720	3,482,911	Depreciated Replacement Cost	Consumed economic benefit / obsolescence of asset	1.00% to 4.00% per year (1.61% per year)	0.02% to 0.42% per year (0.13% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Tools	39,578	43,399	Depreciated Replacement Cost	Consumed economic benefit / obsolescence of asset	0.19% to 2.86% per year (0.93% per year)	0.18% to 71.01% per year (1.49% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Office Equipment	151,084	40,455	Depreciated Replacement Cost	Consumed economic benefit / obsolescence of asset	0.16% to 13.56% per year (1.39% per year)	0.37% to 32.24% per year (2.58% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value
Intangible Assets	127,327	83,268	Depreciated Replacement Cost	Consumed economic benefit / obsolescence of asset	6.16% to 36.42% per year (13.93% per year)	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 22 and 24.

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 Busseton Water's enabling legislation.

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Notes to the Financial Statements

Note 24 Intangible Assets

	2015 \$	2014 \$
Computer Software		
At Fair Value	219,620	119,460
Accumulated amortisation	(92,294)	(36,192)
	127,327	83,268
Reconciliations:		
Carrying amount at start of period	83,268	119,460
Additions	100,160	
Classified as held for sale		
Revaluation increments/(decrements)		
Impairment losses recognised in Statement of Comprehensive Income		
Impairment losses reversed in Statement of Comprehensive Income		
Amortisation expense	(56,101)	(36,192)
Carrying amount at end of period	127,327	83,268

Note 25 Impairment of Assets

As at 30 June 2015, turbidity meters and air dryers (Plant and Machinery) held in Capital Works in Progress were identified as impaired. The value of the impairment has been recognised as follows:

	2015 \$	2014 \$
Impairment loss	55,593	61,068

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 2015 have either been classified as assets held for sale or written-off.

Note 26 Payables

Payables for goods and services received. The carrying amounts of payables approximate their net fair values.

	2015 \$	2014 \$
Trade Creditors	650,432	363,923
Payroll Creditors	48,693	38,100
Miscellaneous Creditors	557,807	160,827
	1,256,932	562,850

Note 27 Borrowings

	2015 \$	2014 \$
<u>Current</u>		
WATC Loan	245,501	234,665
Total current	245,501	234,665
<u>Non-Current</u>		
WATC Loan	1,648,439	1,893,940
Total Non-current	1,648,439	1,893,940

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Notes to the Financial Statements

Note 28 Provisions

	2015 \$	2014 \$
<u>Current</u>		
Annual leave ^(a)	196,990	167,932
Long service leave ^(b)	84,265	83,146
Sick leave ^(c)	382,616	325,450
	663,872	576,528
Employment on-costs ^(d)	67,494	59,672
	731,366	636,201
Sick leave provisions and employment on-costs have been reinstated due to discounting of liabilities that were previously measured at the undiscounted amounts.		
<u>Non-current</u>		
Long service leave ^(b)	48,930	29,956
Employment on-costs ^(d)	9,346	5,722
	58,276	35,678
Aggregate employee benefit liability	789,641	671,879
Number of employees at year end	32	25
(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	157,592	134,346
More than 12 months after the end of the reporting period	39,398	33,586
	196,990	167,932

(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	37,106	17,605
More than 12 months after the end of the reporting period	96,089	95,497
	133,195	113,102

(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 that actual settlement of liabilities will occur as follows:

Within 12 months of the end of the reporting period	41,594	36,366
More than 12 months after the end of the reporting period	341,022	289,084
	382,616	325,450

(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.

Movements in other provisions

Employment on-cost provision

Carrying amount at start of period	65,394	85,378
Additional/(reversals of) provisions recognised	63,242	45,734
Payments/other sacrifices of economic benefits	(51,796)	(65,718)
Carrying amount at end of period	76,840	65,394

Note 29 Other Liabilities

	2015 \$	2014 \$
Monies in Trust	41,008	49,772
Income in Advance	25,227	19,289
	66,235	69,061

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Notes to the Financial Statements

Note 30 Equity

	2015 \$	2014 \$
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.		
<u>General Reserve Fund</u>		
Balance at start of period	9,965,467	7,982,317
Less: Transfers to Retained Profits	(4,516,089)	(1,112,621)
Add: Transfers from Retained Profits	4,050,320	3,095,771
Balance at end of period	9,499,699	9,965,467

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.

	2015 \$	2014 \$
<u>Asset Revaluation Reserve Fund</u>		
Balance at start of period	30,619,229	30,679,156
Net revaluation increments/(decrements)		
Land improvements	-	-
Deferred Tax Land Improvements	6,081	13,608
Plant and Machinery	-	-
Deferred Tax Plant and Machinery	(18,891)	(50,083)
Buildings	-	-
Deferred Tax Buildings	24,262	26,076
Motor Vehicles	-	-
Deferred Tax Motor Vehicles	(11,374)	(16,971)
Mains and Services	-	(1,806)
Deferred Tax Mains and Services	102,314	51,588
Meters	-	-
Deferred Tax Meters	(6,213)	21,324
Tools	-	-
Deferred Tax Tools	(1,416)	1,514
Office Equipment	-	-
Deferred Tax Office Equipment	34,606	(7,183)
Deferred Tax Low Value Pool	15,273	(97,993)
Deferred income tax (note 32 "Taxation equivalents")	144,642	(59,926)
Balance at end of period	30,763,871	30,619,229

RETAINED EARNINGS

	2015 \$	2014 \$
Balance at Start of Period	22,540,606	21,702,518
Result for the Period	2,595,178	2,821,238
Add Transfers From Reserves	4,516,089	1,112,621
Less Transfers to Reserves	(4,050,320)	(3,095,771)
Balance at End of Period	25,601,553	22,540,606

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Notes to the Financial Statements

Note 31 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:

	2015 \$	2014 \$
Cash and cash equivalents	652,870	917,648
Other Financial Assets	11,700,000	11,290,000
	12,352,870	12,207,648

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

	2015 \$	2014 \$
Profit after Income Tax Equivalents	2,595,178	2,821,238
<u>Non-cash Items:</u>		
Depreciation	1,821,233	1,579,129
Loss on Sale of Assets	79,843	22,849
Impairment Losses	55,593	61,068
Less Developer Contributed Assets	(387,224)	(226,955)
Income Tax Expense	1,359,232	1,228,474
Operating Subsidy Contributions from Government	(483,741)	-
<u>(Increase)/decrease in assets:</u>		
Current Receivables	(720,427)	(368,432)
Current Inventories	3,569	(21,703)
<u>Increase/(decrease) in liabilities:</u>		
Current Payables ^(a)	558,985	(90,409)
Current Provisions	95,165	(63,947)
Non-Current Provisions	22,598	(7,905)
Net GST receipts/(payments) ^(b)	(56,936)	(25,351)
Change in GST in receivables/payables ^(c)	131,494	(104,146)
Net cash provided by/(used in) operating activities	5,074,561	4,803,910

^(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.

Note 32 Taxation Equivalents

	2015 \$	2014 \$
(a) Income Tax Expense		
<i>Current income</i>		
Current income tax charge	1,410,241	1,213,756
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(51,009)	14,718
Total Income tax expense	1,359,232	1,228,474
(b) Amounts recognised in other comprehensive income		
<i>Deferred income tax</i>		
Unrealised gain on available for sale financial assets	(144,642)	58,120
Income tax benefit recognised in other comprehensive income	(144,642)	58,120
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax equivalents	3,954,410	4,049,712
Tax at the statutory income tax rate of 30% (2014: 30%)	1,186,323	1,224,880
Under (over) provisions in prior periods	-	(10,418)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	172,909	14,012
Total Income Tax Expense	1,359,232	1,228,474

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Notes to the Financial Statements

Note 32 Taxation Equivalents (continued)

(d) Deferred Income Tax

	Statement of Financial Position		Statement of Comprehensive Income	
	2015 \$	2014 \$	2015 \$	2014 \$
<i>Deferred income tax assets</i>				
Provisions – employee benefits	236,893	201,563	(35,330)	31,523
Accrued Superannuation	1,275	414	(861)	(305)
Prepaid expenses	(294)	-	294	-
Gross deferred income tax assets	237,874	201,977		
<i>Deferred income tax liabilities</i>				
Revaluation of land, property, plant & equipment infrastructure	12,287,874	12,432,514	(144,641)	58,120
Developer contributions	2,180	15,419	(13,239)	(31,468)
Interest receivable	38,810	40,685	(1,875)	14,968
Gross deferred income tax liabilities	12,328,864	12,488,618		
Net deferred income tax liabilities	12,090,990	12,286,641		
Deferred income tax expense			(195,652)	72,838

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Notes to the Financial Statements

Note 33 Joint Operations

Name of Operation	Principal Place of Business	Principal Activity	Ownership Interest (%)
Joint Operation between City of Busselton and Busselton Water	Busselton, Western Australia	Fibre Optic Network in Busselton	50%

The following amounts represent Busselton Water's assets employed in the above joint operations, which are included in the financial statements:

	2015 \$	2014 \$
Non-current assets		
Office Equipment	89,304	-

The joint operation was entered into in 2014/15.

Note 34 Remuneration of Auditor

Remuneration payable to the Auditor General in respect to the audit for the current financial year is as follows:

	2015 \$	2014 \$
Auditing the accounts, financial statements	38,450	37,500
	38,450	37,500

2014 included auditing the performance indicators.

Note 35 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 Alleasing 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.

	2015 \$	2014 \$
Commitments for minimum lease payments are payable as follows:		
Within 1 year	112,258	67,236
Later than 1 year and not later than 5 years	141,071	68,426
	253,330	135,662

Capital Expenditure Commitments

	2015 \$	2014 \$
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	368,480	189,464
	368,480	189,464

Figures reported include GST.

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

Note 35 Commitments for Expenditures (continued)

Other Expenditure Commitments

	2015 \$	2014 \$
Other expenditure commitments, contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within 1 year	45,581	74,586
	45,581	74,586

Figures reported include GST.

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

Note 36 Contingent Liabilities and Contingent Assets

There were no contingent liabilities or assets to report as at 30 June 2015.

Note 37 Events Occurring After the End of the Reporting Period

No significant events have occurred after the reporting date which would have a material effect on the financial statements.

Note 38 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 2015.

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 per cent change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

2015	Carrying Amount \$	- 100 basis points		+ 100 basis points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
Financial Assets					
Cash & cash equivalents	652,870	(6,529)	(6,529)	6,529	6,529
Other financial assets	11,700,000	(117,000)	(117,000)	117,000	117,000
Financial Liabilities					
WATC Borrowings	1,893,940	(18,939)	(18,939)	18,939	18,939
Total Increase/(Decrease)		(142,468)	(142,468)	142,468	142,468

2014	Carrying Amount \$	- 100 basis points		+ 100 basis points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
Financial Assets					
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
Financial Liabilities					
WATC Borrowings	2,128,605	(21,286)	(21,286)	21,286	21,286
Total Increase/(Decrease)		(143,362)	(143,362)	143,362	143,362

Note 38 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 38(c) 'Financial Instruments' and note 19 'Receivables' to the financial statements.

There are no amounts of collateral held as security at 30 June 2015.

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 2015 and 30 June 2014 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 38(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:

	2015 \$	2014 \$
Financial Assets		
Cash and cash equivalents	652,870	917,648
Receivables ^(a)	3,444,165	2,779,993
Other Financial Assets	11,700,000	11,290,000
Financial Liabilities		
Payables	1,256,932	562,850
WATC Borrowings	1,893,940	2,128,605
Other Financial Liabilities	66,235	69,061

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

Note 38 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
2015	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	652,870	652,870	-	-	-	-	-	-
Receivables ^(a)	3,444,165	3,302,072	-	99,108	42,984	-	-	-
Other Financial Assets	11,700,000	11,700,000	-	-	-	-	-	-
	15,797,036	15,654,943	-	99,108	42,984	-	-	-
2014								
Cash and cash equivalents	917,648	917,648	-	-	-	-	-	-
Receivables ^(a)	2,779,993	2,638,994	-	92,289	48,710	-	-	-
Other Financial Assets	11,290,000	11,290,000	-	-	-	-	-	-
	14,987,641	14,846,642	-	92,289	48,710	-	-	-

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

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Notes to the Financial Statements

Note 38 Financial Instruments (continued)

Liquidity risk and interest rate exposure

The following table details Busselton Water'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
2015	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets											
Cash and cash equivalents	1.83	652,870	-	651,770	1,100	652,870	652,870	-	-	-	-
Receivables ^(a)		3,444,165	-	-	3,444,165	3,444,165	3,444,165	-	-	-	-
Other Financial Assets	3.25	11,700,000	11,700,000	-	-	11,700,000	1,300,000	5,050,000	5,350,000	-	-
		15,797,036	11,700,000	651,770	3,445,265	15,797,036	5,397,036	5,050,000	5,350,000	-	-
Financial Liabilities											
Payables		1,256,932	-	-	1,256,932	1,256,932	1,256,932	-	-	-	-
WATC Borrowings	4.54	1,893,940	1,893,940	-	-	1,893,940	-	60,340	185,161	1,100,731	547,708
Other Financial Liabilities		66,235	-	-	66,235	66,235	-	25,227	41,008	-	-
		3,217,107	1,893,940	-	1,323,167	3,217,107	1,256,932	85,567	226,169	1,100,731	547,708

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

Note 38 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
2014	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets											
Cash and cash equivalents	2.33	917,648	-	916,548	1,100	917,648	917,648	-	-	-	-
Receivables (a)		2,779,993	-	-	2,779,993	2,779,993	2,779,993	-	-	-	-
Other Financial Assets	3.86	11,290,000	11,290,000	-	-	11,290,000	1,300,000	4,140,000	5,850,000	-	-
		14,987,641	11,290,000	916,548	2,781,093	14,987,641	4,997,641	4,140,000	5,850,000	-	-
Financial Liabilities											
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	-	-
		2,760,515	2,128,605	-	631,910	2,760,515	562,850	76,966	226,760	1,052,144	841,796

(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.



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