



BUSSETON WATER

ANNUAL REPORT 2016





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This report is a review of our performance for the financial year ending 30 June 2016. It informs our shareholder, customers, community and stakeholders about Busseton 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 Busseton Water Corporation for the year ended June 2016.

Helen Shervington

Chair
Busseton Water Corporation

Chris Elliott

Chief Executive Officer
Busseton Water Corporation

CONTENTS

5 OUR YEAR AT A GLANCE

6 EXECUTIVE SUMMARY

- 6 Highlights
- 8 From the Chair
- 9 From the CEO

10 OUR BUSINESS

- 10 Our operating area
- 11 Our services
- 11 Our stakeholders
- 11 Our vision
- 11 Our purpose
- 11 Our values
- 11 Our future

12 OUR CORPORATE STRUCTURE

13 OUR BOARD

15 OUR EXECUTIVE TEAM

17 KEY BUSINESS RESULTS

- 17 Returns to the State
- 17 Operating subsidy
- 17 Investing in assets
- 17 Debt and borrowings
- 17 Investing in the community
- 17 Significant changes in affairs
- 18 Financial targets
- 18 Business performance
- 19 Management trends

20 OPERATING REPORT

- 20 Strategic Priority: Leadership
- 25 Strategic Priority: Strategy and Planning
- 26 Strategic Priority: Information and Knowledge
- 27 Strategic Priority: People
- 30 Strategic Priority: Customers and Other Stakeholders
- 34 Strategic Priority: Process Management, Improvement and Innovation
- 36 Strategic Priority: Results and Sustainable Performance
- 37 Strategic Priority: Growth

39 CORPORATE GOVERNANCE REPORT

- 39 Corporate governance
- 42 Directors' report

45 FINANCIAL REPORT

- 47 Directors' declaration
- 48 Independent Auditor's Report
- 49 Statement of Comprehensive Income
- 50 Statement of Financial Position
- 51 Statement of Changes in Equity
- 52 Statement of Cash Flows
- 53 Notes to the Financial Statements





OUR YEAR AT A GLANCE

Busselton Water's performance reflects our commitment to delivering water services safely, efficiently, sustainably and in collaboration with our customers and key stakeholders.

Achievements in 2015-16:

- 5.38 gigalitres of groundwater extracted;
- 5.15 gigalitres of drinking water delivered to 12,875 customers;
- 0.23 gigalitres of potable water provided to the Dunsborough-Yallingup Water Supply Scheme;
- revenue of \$13.3 million;
- profit before income tax of \$4.6 million;
- net accruals of \$2.7 million returned to Government;
- inaugural dividend of \$1.4 million paid to Government;
- \$3.8 million invested in infrastructure;
- 30 local people employed; and
- growth opportunities explored with significant potential community benefits.



EXECUTIVE SUMMARY

Highlights



Water quality

Busselton Water reached a key goal, this year, achieving 100% compliance with the Australian Drinking Water Guidelines – the peak standards for health and non-health related water quality. The Drinking Water Quality Management Plan was upgraded to a Drinking Water Safety Plan and our environmental management systems progressed towards ISO14000 standards.

Engagement

Consultation around our growth strategy continued to be a focus alongside collaboration with key industry, agency and environmental stakeholders for the Geographe waterways improvement program. The Communication and Engagement Strategy was revised to support current business priorities and reflect the growth and diversity of our customer base.



Business sustainability

A significant strategic planning process completed during the year with plans drafted for eight strategic priority areas consolidating a consistent vision and approach across the business.

People and safety

The occupational safety and health management system was assessed by WorkSafe resulting in a prestigious Gold Plan Safety Achievement Award. Our safety performance continued to surpass targets with an All Injury Frequency Rate (AIFR) of 40.3. As part of the new visioning, employees participated in a values alignment exercise with the Board.





Asset management

A \$3.8 million capital works program was successfully delivered in 2015-16 to enhance distribution efficiency, reduce water loss and minimise risk of asset failure. Key works included completion of the final stage of the Plant 1 to Plant 2 trunk main. An additional \$0.8 million in assets was handed over by developers.

Innovation

The pursuit of innovation and continuous improvement continued to drive all facets of our operations. Activities ranged from a comprehensive risk and management system review to lift the efficiency and responsiveness of our processes and procedures, to the establishment of a Waterwise demonstration garden at our Administration Building.



Growth

Busselton Water has identified strong avenues to grow its business. Key opportunities include management of the Dunsborough-Yallingup Water Supply Scheme and Busselton's rural drainage and flood protection services.

From the Chair



I am extremely pleased to present the Annual Report for the year ending 30 June 2016.

Busselton Water is a dynamic, contemporary water company with more than a century of experience under its belt. The ambitious plans that were initiated when we became a corporation in 2013, are now being firmly embedded, creating a secure and sustainable platform for the future.

This was evidenced by a raft of achievements in 2015-16 which demonstrate the organisation's deep commitment to providing quality, efficient and affordable water services for our community. All of the targets in our Statement of Corporate Intent were met and we will continue to raise the bar on this performance.

In addition to a significant investment in infrastructure, the business achieved another creditable financial result with a net profit before tax of \$4.6 million. An inaugural dividend of \$1.4 million was paid to the State Government reflecting our obligations as a Government Trading Enterprise.

In the past two years, Busselton Water has been intently investigating new commercial opportunities made possible by corporatisation. Our aim is to keep improving the product and service for our customers while meeting the demands of a growing population and emerging environmental challenges.

A detailed business case outlining our vision was finalised during the year, supported by extensive community and stakeholder consultation.

Demand for water is expected to double in the South West between now and 2060 and Busselton Water has mapped a response to the challenge in its first strategic plans and financial models. These plans give us the first long-range view of opportunities and challenges facing our water business. They are underpinned by a comprehensive strategic planning process, aligned with our Business Excellence Framework, which has taken almost two years to complete.

On behalf of the Board, I wish to thank Chris Elliott and his capable team for an outstanding performance over the past 12 months and I look forward to the future with confidence.

I also wish to acknowledge the support and endeavour of my fellow Directors who have an unswerving commitment to serving the Busselton community. It is a privilege to work with you all.

A handwritten signature in blue ink, appearing to read 'H. Shervington'.

Helen Shervington
Chair

From the CEO



It has been an important year of consolidation and growth for Busselton Water. Across the business we have exceeded our targets set in the 2015-16 financial year.

Our commitment to producing the highest quality water is once again reflected in our results. We achieved full compliance with the Australian Drinking Water Guidelines which set the standard for both health and non-health related water quality.

Operationally, we continue to look for improvements that drive efficiency and meet the water needs of our customers in the most economical way. The numbers tell the story. In 2015-16 our customer base grew by 2.6% to 12,875 and production increased by 2.3% to 5.16 g/L. This reflects the pace of new development in our region that is driving demand and challenging supply.

At the same time, water sales generated \$9.2 million in revenue, up 14% on the previous year, and we returned a net profit before tax of \$4.6 million, an improvement on the \$4.0 million result in 2014-15.

More than \$3.8 million worth of planned capital and maintenance works was completed in 2015-16 enhancing our network infrastructure and security of supply for customers. A highlight was the installation of a new trunk main between Plants 1 and 2. We are now able to direct water around the network from any treatment plant ensuring service continuity for our customers in the event of an outage.

Of course these achievements would not have been possible without our dedicated staff who have risen to the challenge and worked hard to deliver excellent results for our stakeholders. Our safety record is a reflection of their commitment and I congratulate everyone for contributing to our All Injury Frequency Rate (AIFR) of 40.3, which is well below the target of 64 and a further improvement on previous years.

During the year, we reviewed the core values that drive our culture. From the Board down, there is clear alignment across the team and I thank all of our employees for their positive contribution to the change process.

I also express my appreciation to our Directors for their confidence and support.

A handwritten signature in blue ink, reading "Chris Elliott".

Chris Elliott
Chief Executive Officer

OUR BUSINESS

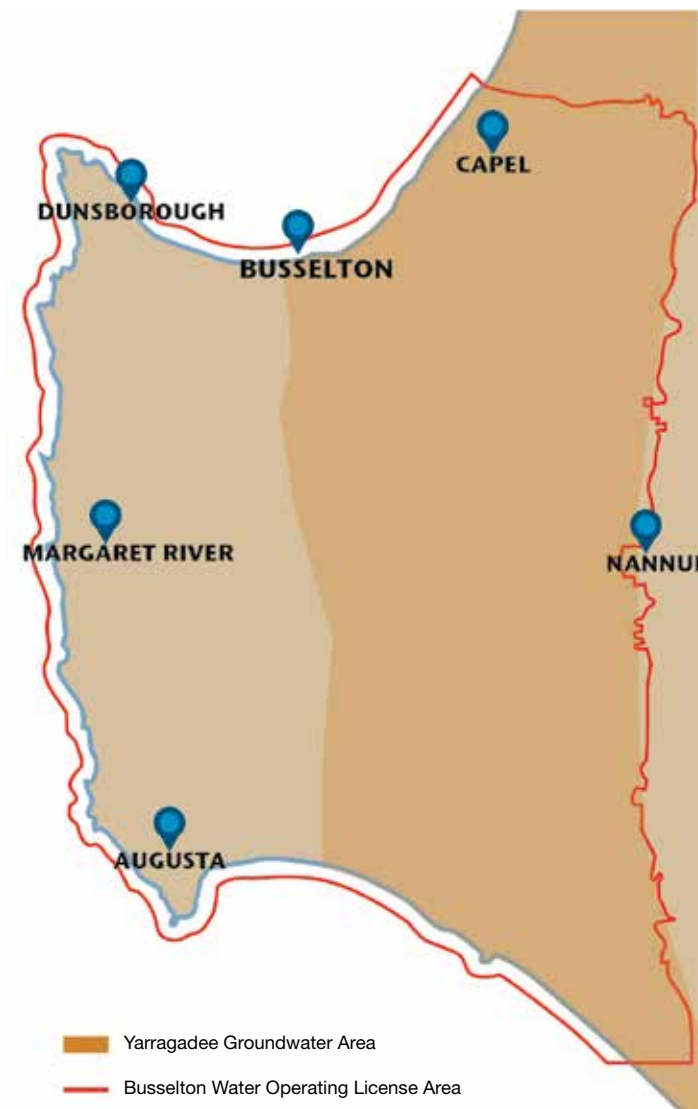


Busselton Water has supplied safe, sustainable and affordable water to the Busselton community for more than a century.

Established in 1906, the organisation is owned by the Western Australian Government and is accountable to its sole shareholder, the Honourable Mia Davies MLA, Minister for Water. Our operating licence is issued by the Economic Regulation Authority under the *Water Services Act 2012* and is valid until 1 October 2021.

Funding is generated from customer water sales, related services to customers including land developers, interest on investments, and operating subsidies.

Busselton Water became a corporation, on 18 November 2013, under the *Water Corporations Act 1995*. With an increased scope for commercialisation, the business is now actively pursuing growth and diversification to enhance its services and underpin its financial sustainability.



EXECUTIVE SUMMARY

Our operating area

Busselton is a major regional centre located approximately 220 kilometres south of Perth, Western Australia. Under its operating licence (WL3, Version 7) the corporation is authorised to provide potable water supply services to an area covering approximately 688,700 hectares.

High quality groundwater is sourced from the Yarragadee and Leederville aquifers with abstraction regulated by licenses issued by the Department of Water.

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

Our services

Busselton Water supplies drinking water to a growing population of more than 26,000 people in Busselton. The South West region is a key tourist destination and population numbers spike to more than 50,000 people during peak holiday periods.

The corporation supplies 12,875 customer accounts including domestic, commercial, light industrial and special rural water users. It also sells bulk water to bolster supply in the adjoining Dunsborough licence area.

During the year, Busselton Water assisted more than 3,055 residential customers (23.4 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. Discounts for concession holders in private rental tenancies were introduced for the first time in 2015-16.

Our stakeholders

The corporation is diligent in building open dialogue with its stakeholders to ensure the business is informed and in touch with stakeholder opinions, concerns and issues.

It responds to many different stakeholders including customers, represented by the Busselton Water Customer Advisory Group, the City of Busselton, local businesses, community and service organisations, schools and various State and Federal government agencies.

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

Excellence and leadership in the provision of all water services.

Our purpose

To deliver all water services safely, sustainably, commercially and in collaboration with our customers and key stakeholders.

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 has provided essential water services to the Busselton area for more than 110 years.

The Government's landmark decision in 2013 to corporatise our business, and the subsequent expansion of our operating licence in 2014 has created exciting new opportunities to improve and extend the service, reliability, quality and value we deliver to our community.

Our commitment to innovation and continuous business improvement are the core mechanisms through which we will achieve our vision for excellence and leadership in the provision of all water services.

OUR CORPORATE STRUCTURE

The new organisational structure implemented in 2014-15 has been embedded over the past 12 months and is performing well. It is designed to help the organisation maximise the opportunities presented by corporatisation and enable us to meet additional legal and financial requirements.

Core business activities are divided into two distinct streams – Operations and Business Services – both headed by a General Manager reporting directly to the CEO. The CEO is appointed by the Board of Directors which has the legislative authority to perform the functions of the organisation and is ultimately responsible for legal compliance, corporate governance and risk management.

The Board responds to the Minister for Water and provides strategic direction and guidance to the CEO and executive. It establishes the setting for our corporate culture to enable Busselton Water to achieve high levels of performance and compliance.

During the year, Busselton Water effected a comprehensive review to refine its values, policies, procedures, processes and Code of Conduct and ensure their alignment to its future vision.

The organisation employs 30 team members within its 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 (then) Shire of Busselton. Ms Shervington's term expires in May 2019.



Paul Carter

BBus (Agric.), MAICD

Deputy Chair

Paul Carter was appointed to the Board in December 2010. He became Deputy Chair in November 2014 and took up the position of Chair of the Audit Committee in November 2013. Mr Carter is a City of Busselton Councillor and a Real Estate Property Consultant. He recently sold the local business he has owned and operated for the past 14 years. Prior to returning to Busselton, Mr Carter worked for BankWest, the WA Farmers Federation and the Dairy Industry Authority of WA. 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

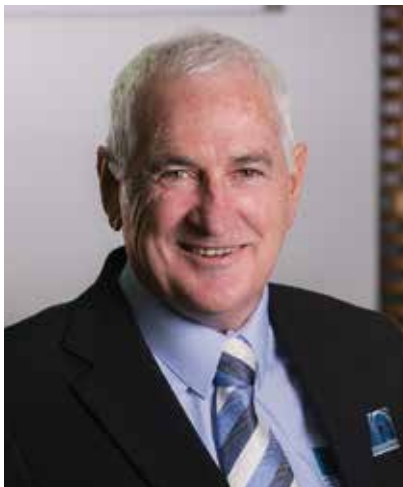
Mr Smith was appointed to the Board in 2013. Mr Smith is a Chartered Accountant and Registered Tax Agent operating in public practice. Mr Smith is currently an executive member of the Busselton Chamber of Commerce and Industry and Treasurer of the Busselton Sporting Association. Mr Smith's term expires in May 2019.



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

Chief Executive Officer

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, his depth of water industry experience and passion for business excellence have combined to provide Busselton Water with the strong strategic leadership required to underpin its ongoing success.



Diane Depiazz

BCom, ADipBus

General Manager Business Services (Acting)

Diane Depiazz has more than 30 years' experience in finance and has held senior positions in local and state government including 16 years as Finance Manager. Diane joined Busselton Water in 2012 and was instrumental in managing the organisation's financial transition from a statutory authority to a corporation.



Robin Belford

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

General Manager Operations

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



KEY BUSINESS RESULTS

Across all areas, corporate performance in 2015-16 exceeded the targets detailed in our Statement of Corporate Intent for the year.

Busselton is one of the fastest growing regional areas in Western Australia. We deliver our programs with a focus on continued improvement and cost efficiency and our financial results reflect a commitment to meeting customers' water needs in the most economical way. We are proud that we continue to offer some of the lowest tariffs in Australia for the delivery of potable water.

Busselton Water achieved a \$4.6 million profit before tax in 2015-16 and increased revenue to \$13.3 million (from \$11.9 million in 2014-15).

Water sales generated \$9.2 million revenue in 2015-16 with a further \$2.1 million driven by land development activity from large developments in Dawson Estate, Via Vasse, Provence and Old Broadwater Farm.

Operating expenditure in 2015-16 was \$8.6 million.



Returns to the State

The Board approved dividend payments totalling \$1.4 million to the State Government.

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 tax of \$1.5 million to the State Government.

We also pay local government rates equivalent 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 on behalf of the Government.

When our payment is offset by our Government Subsidy, the resulting Net Accrual to Government is \$2.7 million.

Investing in assets

Our capital investment program supports ongoing growth in Busselton and also ensures we are able to maintain high standards of supply to our existing customers through infrastructure upgrades.

The \$3.8 million program included delivery of a \$1.2 million program of water mains improvements. A new trunk main between Plant 1 and Plant 2 and Rendezvous Road was completed and mains were replaced in Seagrott Road, Alpha Road and Reynolds Street. A further \$1.7 million program of infrastructure projects included the installation of Bore re-line at Plant 1, exterior treatment and coating to filter tanks at Plant 2 and SCADA and Control System upgrading.

Over the reporting period, Busselton Water's asset base grew as a result of \$0.8 million in assets being handed over by developers.

Debt and borrowings

Our capital program in 2015-16 was self-funded and no additional borrowings were required.

Investing in the community

All 30 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. Three of six tenders were awarded to local contractors in 2015-16 for the delivery of services including backflow prevention device testing and new major mains.

Significant changes in affairs

There were no significant changes in affairs in 2015-16.

KEY BUSINESS RESULTS

Financial targets

Financial Results (\$m)	2015-16 Budgeted	2015-16 Revised Target	2015-16 Actual	Variation
Operating profit before income tax	1.96	1.89	4.63	2.73
Operating profit after income tax	1.33	1.26	3.10	1.84
Capital expenditure	3.60	4.12	3.79	0.33
Loan principal repaid	0.25	0.25	0.25	0.00
Net accrual to Government (\$'000s)				
Indirect tax	132.94	132.94	133.34	0.40
Income tax equivalents	633.92	633.92	1,526.63	892.71
Local Government rate equivalents	26.77	26.77	53.70	26.93
Dividends provided	833.34	1,449.00	1,435.17	(13.83)
Total accruals to Government	1,626.97	2,242.63	3,148.84	906.21
Less operating subsidy	530.74	574.00	492.07	81.93
Net accruals to Government	1,096.23	1,668.63	2,656.78	988.14
Financial performance measures (%)				
Return on fixed assets	1.96	1.96	4.33	2.37
Return on equity	2.05	2.05	4.43	2.38
Debt to equity ratio	2.54	2.54	2.34	(0.20)
Debt to total assets ratio	2.03	2.03	1.88	(0.15)

Business performance

Customers and Other Stakeholder Outcomes	2015-16 Target	2015-16 Actual	Result
Number of complaints per 1,000 customers (rolling year average)	<10	3.96	Target met
Complaint resolution within 15 business days	>90%	100	Target met
Leadership and Governance Results			
Adverse audit findings	Nil	Nil	Target met
People Results			
Number of reported hazards per month (rolling year average)	≥10	14	Target met
Staff participation in performance management process	100%	100%	Target met
Operational Results			
Drinking water quality compliance with health standards	100%	100%	Target met
Water efficiency target kL/pp/year	117	115	Target met
Society Outcomes			
Investment in community	Increasing trend	\$33,650	Target met
Growth Outcomes			
Dunsborough Water Supply	Completed 2015-16	Business Case submitted November 2015 and April 2016	Target met
Busselton Waterways	Completed 2015-16	Business Case submitted November 2015 and April 2016	Target met

Management trends

Key Performance Indicator	2011-12	2012-13	2013-14	2014-15	2015-16
Properties served (% per km of water mains)	37.7	38.5	39.7	39.4	39.8
Average annual residential water supplied (kl/Property)	279.8	271.9	286.6	284.0	288.0 ¹
Total number of water main breaks	10	20	23	26	23
Water main breaks (per 100km of water main)	3.3	6.6	7.7	8.3	7.3 ²
Total number of water quality complaints (per 1,000 properties)	22.0	18.5	2.4	1.7	3.8
Total number of water service complaints (per 1,000 properties)	0.4	0.2	0.0	0.0	0.0
Total number of account and billing complaints (per 1,000 properties)	0.5	0.3	0.2	0.2	0.0 ³
Duration of unplanned water interruption (average minutes)	147.6	87.2	77.1	197.5	85.8
Incidence of unplanned water interruptions (average per 1,000 properties)	45.4	87.2	77.1	197.5	239.5 ⁴
Economic real rate of return (% net water revenue/written down value of water assets)	0.9	0.5	5.8	5.4	6.0
Lost time injury frequency rate (LTI per 1 million hours)	20.7	20.7	43.4	21.8	20.1
Lost time injury incidence rate (LTI per 100 workers)	3.3	3.3	7.1	3.4	3.1
% return on weighted balance of investments target AusBond Bank Bill Index 2.24%	6.0	4.7	3.9	3.6	3.0

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

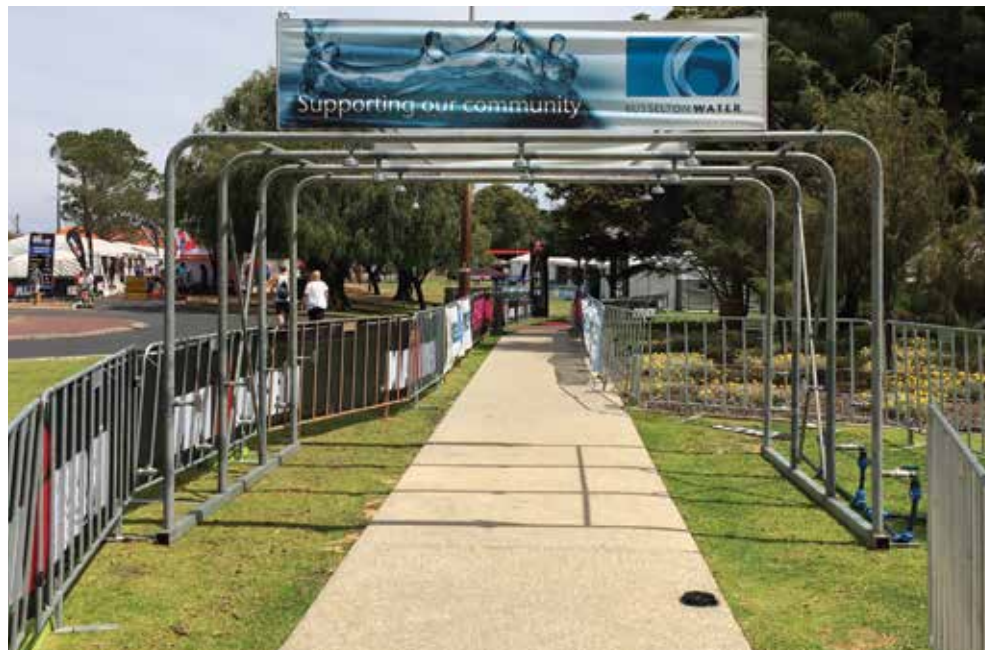
² A risk based methodology is used to develop a program for mains replacement of aging infrastructure.

³ Ongoing downward trend reflects continuous improvement in billing systems and processes.

⁴ Infrastructure improvements completed to address rising trend.

STRATEGIC PRIORITY: Leadership

We are committed to developing and using effective systems and processes of leadership based on business excellence, developing a culture that is consistent with our values and supporting our community and environment.



Community partnerships

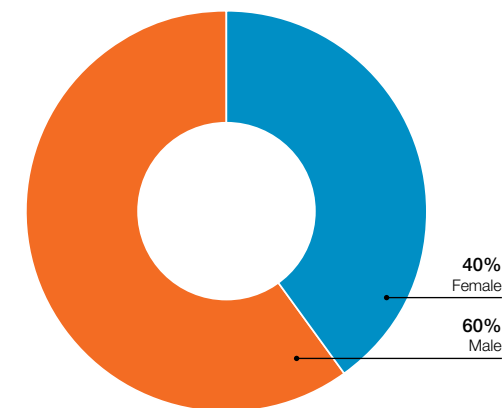
Busselton Water is a prominent participant in community events providing labour, sponsorship materials, and portable water stations to a value of \$33,650. The new water stations have been made available at a range of community activities throughout the year and have proven to be popular with locals and tourists. They are an environmentally friendly solution to water supplies at events and reduce the need for plastic bottles.

Busselton Water is also adding its support to the City's growing reputation as a world-class cruising destination – with water stations on the wharf as passengers disembark from visiting ships.

A review of the Corporation's community partnerships program has been undertaken and will be implemented in 2016-17 ensuring our sponsorships are strategic and in line with business objectives.

Embracing diversity and equality

Busselton Water has an Equal Employment Opportunity Management Plan and is committed to implementing the strategies in that plan. The Corporation values EEO and diversity, and the work environment is free from any form of discrimination. Forty per cent of our workforce is female.



Risk management

Busselton Water maintains a robust, risk management framework for the effective identification, analysis, evaluation and treatment of its material business risks.

The framework is aligned with the *WA Government Risk Management Guidelines* by RiskCover, the AS/NZS ISO 31000:2009 Principles and Guidelines and Public Sector Commissioner's

Circular 2015-03 – Risk Management and Business Continuity Planning.

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

The risk management framework is an auditable aspect of Busselton Water's business activities and has been scrutinised as part of internal and external audits and will continue to be scrutinised in future. It is supported by risk management software to register, assess, notify and report.

Entire risk register reviews were conducted in July-August 2015 and again in January 2016. Two registered risks were closed over the course of the year.

Improvements to the Risk Management framework include; the implementation of automated emails from the SynergySoft Risk Management system; review of the four risk management procedures (including implementation of the new Qualitative Measures of Consequence table); revision of the Risk Ranking for Priority Tool; and revision of Emergency Response Documents.

There were 22 incidents recorded in the Operational Incident Register and 23 closed (one from the previous year).

One water quality mock event was conducted in June 2016 and the relevant incident response plans and the Business Continuity Plan were updated and improved as a result.



Environment

Busselton Water is extremely aware that water is precious and limited in Western Australia and the need is greater than ever to sustainably manage the resource. We are committed to caring for the environment and responsibly managing the potential impact of our operations.

In 2014-15, we developed and implemented both annual and five-year operating plans to optimise water treatment and integrate the delivery

of potable water from our treatment plants. We are currently developing an environmental management system and progressing towards compliance with the ISO14000 suite of environmental management standards.

Source protection

Busselton Water continued to undertake robust water quality monitoring and aquifer monitoring programs over the year. The Triennial Groundwater Aquifer Review for July 2012 to June 2015 was submitted to the Department of Water in October 2015. During the review period it was not necessary for Busselton Water to implement 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 have been implemented to ensure sustainable source protection and management. These included proclamation of areas around the bores under the *Country Areas Water Supply Act 1947*; installation, during 2013-15, of signage promoting awareness of drinking

water source protection; and ongoing monitoring of the water quality at source.

A Borefield Maintenance Operating Strategy was introduced in 2014-15 to ensure production bores were maintained in good condition. The strategy identified potential environmental risks and strategies to control these. We continue to protect the Busselton Water aquifers from environmental surface damage through the appropriate construction and maintenance of sealed production bores as per the updated Preventative Maintenance Schedule. This included CCTV inspections and reports for Bores 14 and 15. Bore 17 underwent a reline and redevelopment following a CCTV and calliper survey.

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*.

OPERATING REPORT

Water efficiency

During the year, we reduced the amount of water that was unaccounted for by:

- detecting leaking customer plumbing through the analysis of radio frequency metering data;

- detecting 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. Each year, the summer sprinkler roster and winter sprinkler ban campaigns are promoted to the local community. During the year, 92 water efficiency breach letters, with educational material, were sent to customers.

Busselton Water has also recommenced the Water Efficiency Management Plan (WEMP) program for commercial users consuming over 20,000kL annually. Two commercial data loggers have been purchased to support the project and provide detailed data to users on water use throughout the day, week and year as they develop their WEMP and monitor its effectiveness.



WATERWISE MESSAGE HITS THE STREETS

The Minister for Water, Hon Mia Davies MLA, was on hand to encourage the community to dig deep for the environment as she helped select native plants for Busselton Water's new waterwise demonstration garden.

Existing street lawns around our Administration Building, on Fairbairn Road, have been replaced with native plants and mulch to show the community how easy it is to create a visually appealing garden that supports biodiversity and needs very little water.

The timing was ideal as it coincided with the start of the winter sprinkler ban on 1 June 2016 with local gardeners urged to take advantage of the cool weather and winter rains to get their gardens in shape for a long, dry summer.



The new garden uses drip irrigation and a rainwater tank and offers a useful source of information and advice for water-conscious gardeners.

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.

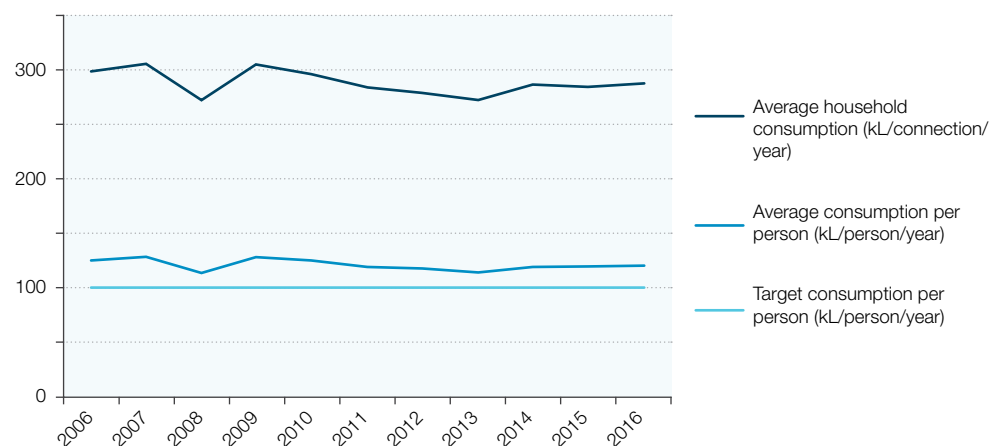
Increased awareness of the need to be waterwise is reflected in the overall trend in water consumption rates since 2004. Dry summers will drive continued efforts to achieve our long-term target.

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 2015-16 was maintained at 0.596 kWh/kL – well below our target 0.7 kilowatt hours per kilolitre (kWh/kL).

The potential for solar power to offset some of the power requirements at specific sites is currently being investigated. The possibility of using batteries to store solar power, and off-peak power, are also under consideration to reduce the peak loads and carbon footprint.

Average consumption kL/year



Automated metering

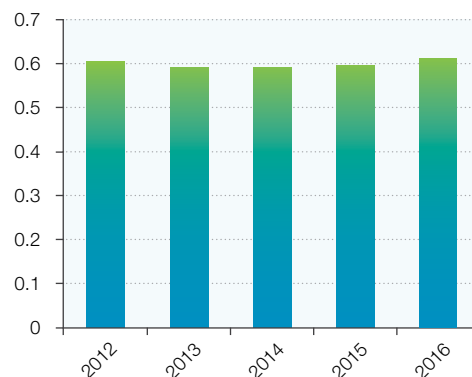
As one of the first water utilities in Australia to implement radio frequency meters in 2007, we continued in 2015-16 to research improved metering technology and to explore opportunities available through an advanced metering infrastructure.

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

In the 2015-16 financial year, five 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.

Energy consumption kWh/kL



OPERATING REPORT

Cultural and Aboriginal heritage sites

On 8 June 2015, six Indigenous Land Use Agreements (ILUAs) were executed across the South West by the Western Australian Government and, respectively, with the Yued, Whadjuk People, Gnaala Karla Booja, Ballardong People, South West Boojarah and Wagyl Kaip and Southern Noongar groups, and the South West Land and Sea Council (SWALSC).

The ILUAs bind the parties (including all State Government departments and certain State Government agencies) to enter into a Noongar Standard Heritage Agreement (NSHA) when conducting Aboriginal Heritage Surveys in the ILUA areas. Busselton Water is currently in the process of entering into an NSHA with SWALSC.

Under the NSHA an "Activity Notice" must be issued if there is a risk that an activity will "impact" (ie by excavating, damaging, destroying or altering in any way) an Aboriginal heritage site. The Aboriginal Heritage Due Diligence Guidelines, which are referenced by the NSHA, provide guidance about assessing the potential risk to Aboriginal heritage.

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 2015-16. Project groups include the Vasse Taskforce and the Vasse Wonnerup Wetlands Partnership (formerly 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 Estuary.

Busselton Water also coordinated an inter-agency project team that is guiding a pilot project to look at best practice management of rural drainage. A drainage management plan was developed for the Buayanyup catchment, with input from the various agencies, key stakeholders and the community, which provides a blueprint for future management of rural drainage systems across the Geographe Catchment.



STRATEGIC PRIORITY: Strategy and Planning

We are committed to setting and continuously reviewing the vision and strategic direction of the organisation.

Strategic Planning Process

Effective implementation of Busselton Water's Strategic Planning Process in 2015-16 ensured the timely completion of all seven steps in the process. All corporate plans and models, including revised Statement of Corporate Intent and Strategic Development Plan documents, were then updated and completed ahead of schedule.

Improvements to the Strategic Planning Process in 2015-16:

- Shareholder expectations were reviewed and updated in consultation with the Minister for Water.
- Strategic priorities were revised and aligned with our business excellence framework.
- The current performance review was enhanced with the use of four planning tools including Inventory, SWOT, PESTLE and Five Forces.



- A more rigorous performance review led to a more comprehensive list of opportunities and challenges being documented.

Our Values

Board Members and staff participated in a successful review of our values resulting in everyone signing on to the new corporate values, commencing in 2016-17.

Our Strategic Planning Framework

The strategic planning framework has continued to evolve and improve in 2015-16.



Draft strategic plans for each of Busselton Water's eight strategic priorities were prepared in a new format aligned to our Business Excellence Framework. These plans bring together all relevant plans and strategies across the business and form the basis of our Statement of Corporate Intent and Strategic Development Plan documents.

Our strategic planning framework was also enhanced with the extension of our financial model from 10 years to 30 years and updating of our 50-year Water Demand Projection and 30-year Infrastructure Plan.

STRATEGIC PRIORITY: Information and knowledge

We are committed to the effective application of the information and knowledge required to achieve our business goals.



In 2015-16 Busselton Water continued to implement a five-year ICT strategy with a number of major items completed.

Upgrade of the water billing system to the latest version has improved debt recovery capability and SMS functionality. It also enables easy configuration for rebate caps and tenant billing.

A new enhanced Customer Relationship Management system was purchased. This module is responsible for managing Busselton Water's call centre activity. The system is integrated with the customer and property information system and ensures that all customer contacts are accurately recorded and classified. The system allows for automation of meter alarm data into direct correspondence to customers (i.e. leak alarm letters). The module has direct links to the corporate GIS system and may also be integrated with asset management and job allocation systems.

Busselton Water has invested in an asset mapping solution for collecting the GPS location of water meters in the field. The tool utilises two-way wireless and has the ability to plot assets (meters) within 75mm accuracy. This will enhance the quality of GIS data and support installation of a wireless fixed network for automatic and remote reading of water meters.

Upgrades and enhancements to core business systems strategically position Busselton Water on the path to an Intelligent Water Network (IWN) and pursuit of the organisation's growth strategy.

A new VOIP integrated telephone system replaced the existing PBX system. The new system eliminates the risk of working with unsupported hardware. Phones are now integrated with Microsoft Outlook contacts and provide users with call information, call history and other features. New call reporting capabilities will support customer service improvements. The phone system's uninterrupted power supply (UPS) unit was upgraded to increase phone system availability during extended power outages.

A new disaster recovery solution was implemented via fibre optic link. In the event of a disaster, the disaster recovery server will preserve the last incremental back-up which will have occurred within 15 minutes prior to the disaster. The disaster recovery server then becomes a functioning, virtual server that can be accessed by staff within one hour of a disaster taking place. This solution enables regular disaster recovery testing to be carried out without network interruption and the development of improved IT disaster recovery procedures. A live network mock event was conducted on the new disaster recovery solution. The successful exercise saw the primary records server restored within one hour and the terminal server restored within 20 minutes.

After commissioning of the new disaster recovery solution, the existing Network Disaster Recovery Plan was reviewed and amended to reflect the new network configuration, hardware, software and new recovery environment.

Improved server capabilities have continued to provide expanded reporting capabilities and improved visibility of web activity and data usage by users. Reports include firewall performance and back-ups.

As a result of the security review, additional security cameras have been installed in water plants, physical security of information technology infrastructure has increased and a security audit of Busselton Water's networks and systems has been completed.

The standpipe for bulk water sales located at Busselton Water's main water plant was upgraded and automated. In line with industry best practice, this project replaces the existing key system and eliminates the risk of backflow contamination to our distribution system.

A new records business classification scheme was implemented and all legacy records and shared drive data has been migrated to our records management system.

STRATEGIC PRIORITY People

We are committed to maintaining a highly skilled and well-resourced workforce motivated to achieve organisational objectives and ensuring all workplaces are safe and healthy environments for our employees, contractors and visitors.

In 2015-16 Busselton Water prepared its first five-year People Strategy which reflects best practice people management, underpinned by the Australian Business Excellence Framework.

The strategy will ensure our employees are engaged and make a meaningful contribution that will move Busselton Water closer to achieving our vision of excellence and leadership in the provision of water services.

Busselton Water is rising to the challenge of corporatisation with new, emerging strategies for growth by acquisition and diversification. As we become a larger, more diverse and more influential water business, we rely on our ability to attract, retain and develop a more diverse and broadly skilled workforce.

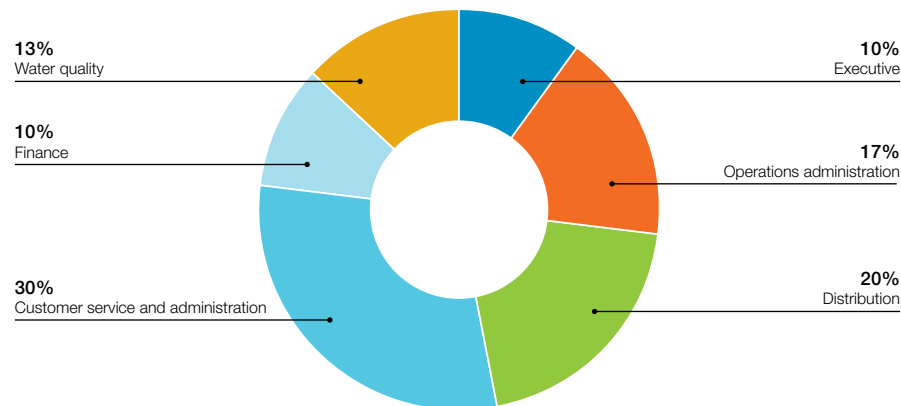


Busselton Water has two business areas delivering our strategic priorities – Operations and Business Services.

We have further reviewed our recruitment process to include musculoskeletal, drug and alcohol screening. Random drug and alcohol testing was successfully implemented in 2015-16.

We are committed to living our values and to building strong relationships through an uncompromising commitment to our core values. Our values are communicated through our

Employee distribution



performance objectives and measured through the performance appraisal process. Busselton Water's values are reviewed annually as part of our strategic planning process. For the first time, in 2015-16, the Board and staff workshopped the values together.

Busselton Water's performance management framework requires managers to review performance within two parameters – achievement of objectives and KPIs and behaviours demonstrated while achieving objectives and KPIs.

Busselton Water has 30 employees working across our Operations and Business Services teams. Embedding our new performance culture is ongoing.

OPERATING REPORT

Training and development

Our training and development program follows the 70.20.10 framework for building employee capabilities. The framework comprises 10% course based training, 20% coaching and mentoring, and 70% on-the-job skills development and experience. The objective of each employee training and development plan is to provide the employee with the capabilities needed to achieve their objectives and KPIs.

The main focus of training in 2015-16 was leadership training for line managers and influencing skills for mid-tier staff.

Code of Conduct

Our Code of Conduct is reviewed annually and monitored for compliance by the Senior Executive Group.

Training sessions are run after the code is reviewed to ensure all employees are aware and understand their responsibilities. The training sessions also re-visit the values and behaviours expected of employees.

The Board views the Code of Conduct as an important element in setting the standards of behaviour that underpin our culture and influence our reputation

as a leading water service provider. The Board endorsed the promotion of the Code of Conduct for all employees as a demonstration of their commitment to the principles of responsible governance.

Our performance against the Code of Conduct is reported annually to the Minister for Water. No breaches were reported in the 2015-16 financial year.

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 in all operations.

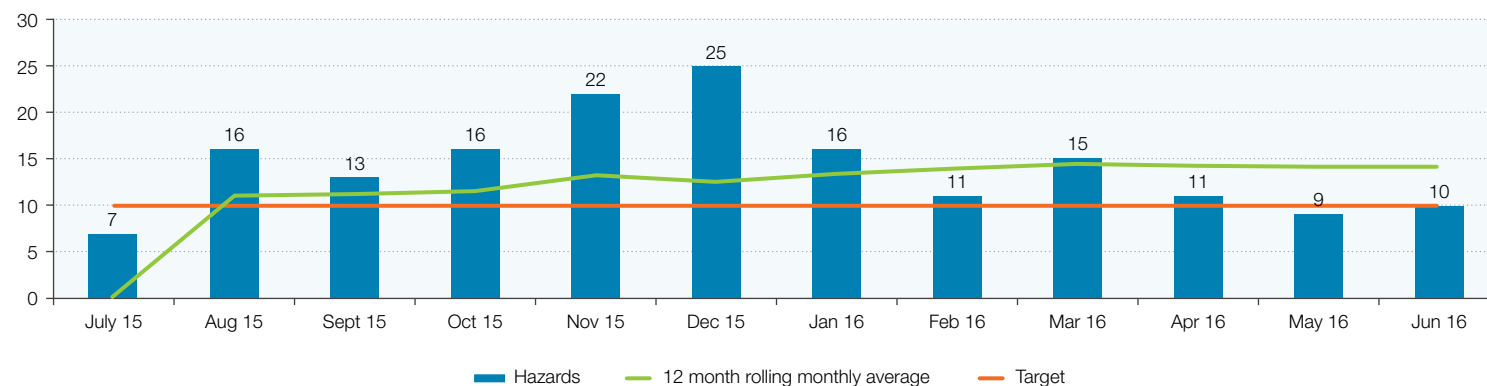
Uncompromising focus on safety has achieved an All Injury Frequency Rate (AIFR) of 40.3 which is well below the target of 64. The AIFR is the number of work related injuries or disease for every million hours worked and recorded on a 12 month rolling basis.

This focus extends to hazard reporting, producing continuing improvement in workplace safety. Identification and treatment of hazards is a leading key

performance indicator in workplace safety management. The nature and occurrence of hazards is dynamic and requires continuous assessment. A culture that is vigilant in the detection and elimination of hazards will result in a safer workplace.

The implementation of an action plan in 2013, to address self-identified gaps in our Occupational Health and Safety Plan and the Code of Conduct, has driven this improvement and clearly reflects Busselton Water's commitment to safety.

Monthly hazard reporting



WORKSAFE PLAN GOLD ACHIEVEMENT AWARD

Busselton Water's occupational safety and health management systems were formally assessed by WorkSafe for the first time this year.

This resulted in us receiving a prestigious WorkSafe Plan Gold Achievement Award in recognition of our outstanding safety record and progress towards best practice in safety and health management.

The award, which is valid for two years, was presented to the team by the Minister for Commerce, Hon Michael Mischin MLC, in May 2016.



STRATEGIC PRIORITY: Customers and Other Stakeholders

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



Busselton Water's Communication and Engagement Strategy was reviewed in 2015-16 and reflects a shift in strategy and approach that will support Busselton Water's strategic priorities including its growth plans, post corporatisation (November 2013). The overarching goal of the strategy is to build genuine

customer and stakeholder engagement in support of Busselton Water's vision and purpose.

Busselton's community is growing in diversity and size which increasingly influences traditional community ties. In response, our customer perceptions, expectations and attitudes are changing.

At the same time, Busselton Water is rising to the challenge of corporatisation with new, emerging strategies for diversification and organic growth. This strategy takes steps to shape and consolidate these emerging and diverse views. It addresses the need for a fresh approach to communication and engagement that better reflects our current operating environment and future aspirations.

Growth strategy consultation

In 2015-16, Busselton Water continued its 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, circulated to our customer's in our October 2015 billing cycle, and 57 meetings were held with key stakeholders, including local business owners, community and industry groups, local government and other government agencies.



Inter-agency collaboration

As a member of the Vasse Taskforce, Busselton Water was pleased to work with a multi-agency committee comprising representatives from local government, State Government, water service providers and catchment groups.

The Vasse Taskforce provides direction and support to the lead agencies responsible for delivering on projects under the Vasse Geographe Strategy and report to the community on

outcomes of activities undertaken to improve waterway health. The Vasse Geographe Strategy is a State Government initiative to improve water quality in the Geographe Bay catchment.

Revitalising Geographe Waterways is a four year program to implement key actions contained within the Vasse Geographe Strategy. Over the next four years, it will deliver a comprehensive range of on-ground works and other actions.



Customer Advisory Group

The Customer Advisory Group was formed in October 2013 and meets twice each year. The group includes representation from Busselton residents, the City of Busselton, Busselton Chamber of Commerce, Busselton and Districts Residents' Association and local schools. Meetings were held in November 2015 and May 2016 and provided important feedback on the effect on our customers of Busselton Water's plans and activities.

Customer service and satisfaction

Busselton Water provides water to 12,875 properties. Being a local water provider with a local Board, we are well placed to understand our customers' needs and expectations. We continue to improve our service to customers and a number of new initiatives were introduced in 2015-16:

Tenant billing

Tenant water billing services are available for landowners with a rental portfolio. New tenants are provided with a welcome letter from Busselton Water and we liaise closely with property managers on defaulted payments and provide a monthly report on outstanding accounts. There are 219 properties set up for tenant based billing. These are primarily of managed properties rather than private rentals.

New pensioner rebates

Pensioners living in private rental accommodation can apply for a rebate on their water bills for the first time from 1 July 2015. The new concession could mean a saving of 50 per cent for people who use up to 350 kilolitres of water in a financial year.

Reducing the cost of water

Busselton Water launched a campaign through its *WaterSource* newsletter to help customers understand how much water costs and show how to reduce their bills. We already have some of the lowest water prices in Australia and are keen to help customers save water and money. Reducing the amount of water used reduces the cost per kilolitre charged. A number of factors can contribute to a high bill and it is important to identify whether it is usage

or a leak which moves customers into a higher price tier.

Busselton Water's radio frequency (RF) meters can detect continuous water flow greater than two litres per hour which could be caused by something as minor as a leaky tap washer, toilet cistern, hot water system or a tap left running. Most homes in Busselton use around 300 kilolitres of water each year. Current RF data shows we could save more than 17 million litres of water every year through early water loss detection.

E-billing

A total of 839 accounts have registered for electronic billing since the service was introduced in February 2015. Busselton Water proactively encourages customers to use e-billing and, in 2015-16, letters were sent to developers, owners of multiple properties and smaller property holders. Not only does e-billing improve our customer service, and reduce the time between creation of the bill and its receipt, it also delivers environmental benefits.





Busselton Water operates a robust complaints process to help ensure we are meeting expectations and promptly addressing issues.

In 2015-16, a total of 51 complaints was received. All complaints were acknowledged and resolved within 15 working days, in line with the Statement of Corporate Intent.

One complaint was escalated to the Ombudsman in 2015-16 and was successfully resolved. This was the only complaint to be referred to the Ombudsman since corporatisation.

Water supply was restricted to 12 properties in 2015-16.

Financial hardship

Water is an essential service and Busselton Water takes its role as a service provider very 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 customers in hardship to develop payment plans where appropriate and ensure we apply the relevant concessions to customer accounts.

Through the State Government's Hardship Utilities Grant Scheme (HUGS), we were able to process 11 claims in 2015-16 and avoid restricting customer supply.

Accessible information

Customers and other stakeholders were provided with comprehensive information on the Busselton Water website. Information updates included quarterly performance reports, annual report, Statement of Corporate Intent, information sheets, customer commitments, community support application details, policies, and our Board of Directors.

Water efficiency programs

Educational programs for school children, householders and businesses continued to operate under Busselton Water's Waterwise Education 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. In 2015-16, 376 students toured the plant.

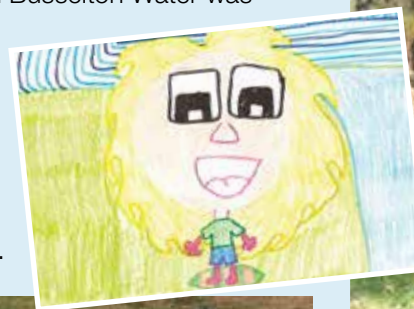
CELEBRATING NATIONAL WATER WEEK

Busselton Water supported National Water Week 2015 by inviting schools and the community to submit photographs demonstrating why water is important to them.

The theme for the year was *Innovation*. This was very close to our hearts at Busselton Water after we received the 2014 WA Water Industry Infrastructure and Innovation Award, jointly with City of Busselton, for harnessing the warmth of natural ground water to heat the pools at the Geographe Leisure Centre.

St Joseph's and Geographe Primary Schools each received a \$500 school award to support waterwise activities in their school. A presentation to St Joseph's school was made at their

assembly. A co-presentation by City of Busselton and Busselton Water was made to the winner of the open community category with the Busselton Dunsborough Mail attending.



STRATEGIC PRIORITY: Process Management, Improvement and Innovation

We are committed to continuously reviewing and analysing our systems and processes to identify and improve our business and operational performance.

We are also committed to achieving compliance with the drinking water quality criteria set out in the Australian Drinking Water Guidelines (ADWG) and progressively improving the management of infrastructure assets by adopting best practice standards and achieving whole of life, optimal performance for all assets.



Water quality

Busselton Water's supply to customers continues to achieve 100 per cent compliance with the ADWG (2004) and our Memorandum of Understanding (MOU) with the Department of Health.

Our water is sourced from eight bores constructed in the Yarragadee and Leederville aquifers, which are located within the Busselton/Capel groundwater area. In 2015-16, 5.38 gegalitres (GL) of groundwater was extracted and 5.16 GL of drinking water produced.

We have three water treatment plants, five storage tanks and 320 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 for oxidation followed by gravity filtration.

Drinking water is disinfected with chlorine prior to storage and distribution to consumers.

Water sampling

We have rigorous processes in place to ensure the continued delivery of safe drinking water to our customers, including maintaining an extensive water sampling program throughout our operations. During the year, we completed a comprehensive water sampling program and achieved full compliance with both health and non-health related water quality parameters in the ADWG (2004). All groundwater licence conditions and requirements were also met.

Working with the Department of Health

Busselton Water continued to meet all the requirements of our MOU with the Department of Health in 2015-16. 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 continue to work with the Department of Health towards full implementation of the ADWG (2011).

During the year, we revised and updated our Drinking Water Quality Management Plan into a Drinking Water Safety Plan. The plan is a requirement of our MOU with the Department and includes strategies to address the 12 elements of the ADWG (2004). The plan outlines our existing alignment with the ADWG (2004) and identifies opportunities for improvement. A multi-disciplinary hazard identification and risk review session was undertaken to review and update our operations risk assessment as part of the Drinking Water Safety Plan preparation.

In 2015-16 there were 40 water quality complaints received. Eleven complaints related to taste and odour, 29 to discoloured water.



Asset management

Busselton Water is committed to best practice asset management. It is an Operating Licence requirement for us to provide for an asset management system. Our Operational Audit and Asset Management Review period has been extended, by our regulator, the Economic Regulation Authority (ERA), from two to three years after favourable assessment by an independent auditor. The ERA is satisfied that our Asset Management System is both compliant and effective.

The Asset Management Information System is now fully integrated with our MapInfo GIS system that continues to provide effective support for our asset management activities. The Planned Maintenance System continues to ensure assets achieve their optimal whole of life service delivery. These management tools ensure our assets are operated in accordance with our asset management objectives.

We maintain an up-to-date automated Dial Before You Dig system to advise users of the location of our distribution network infrastructure.

Planning

We have developed and implemented 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 Strategic Asset Plan; The Operational Strategy; The Asset Management Strategy; the Five Year Operating Strategy; the Annual Asset Management Plan and the Asset Management Procedure.

The maintenance of a long term capital/operating expenditure plan ensures funding for new and replacement assets and so they can achieve their optimal whole of life performance through a robust planned maintenance system. This plan is compiled with professional input from hydraulic, hydrological, corrosion and process engineers.

Over the reporting period, Busselton Water's asset base grew as a result of a \$3.8 million capital investment program and \$0.8 million of assets from developers.

Programs delivered

A \$3.8 million capital works program was delivered in 2015-16, including completion of the final stage of the Plant 1 to Plant 2 Trunk main. This

enables the bulk transfer of water between all three treatment plants and ensures continuity of supply to customers should any plant go offline. The linking stage of the Rendezvous Road Trunk main was installed establishing a dual supply to the Vasse area and delivering supply security to a fast growing area of Busselton. Bore 17 was also re-lined extending the life of one of our best production bores.

Item	2015-16 actual
New trunk mains	\$965,154
Mains replacement	\$241,730
New/replace infrastructure	\$1,679,148
Land, building and offices	\$51,355
New service connections	\$300,856
Meter replacements	\$42,543
Vehicle and mobile plant replacements	\$194,540
Information, communication and technology	\$311,014
Total	\$3,786,340



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.

Extensive improvements to the water distribution network were also completed with 155 metres of piping replaced in Seagrott Road, 360 metres in Alpha Road and 605 metres in Reynolds Street.

The existing Plant Control and SCADA systems have been fully upgraded and unified providing enhanced management and control of all water treatment facilities.

STRATEGIC PRIORITY: Results and Sustainable Performance

We are committed to measuring and communicating organisational results and achieving sustainable performance.

Performance monitoring and reporting

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

Monthly management reports inform the Senior Executive Group of performance and progress towards 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.



Best practice top 20 small agency

Each year the Office of the Auditor General rates agencies on their financial reporting and financial controls and recognises the top 20 large and top 20 small best practice agencies. In 2015-16 Busselton Water was recognised in the top 20 small best practice agencies for the 2014-15 financial reporting year.

The Auditor General's assessment criteria included:

- clear opinion on financial statements, controls and key performance indicators;
- the number and significance of control weaknesses raised in management letters;
- audit ready early, ideally no later than 20 days after financial year-end;

- good quality financial statements and key performance indicators, supported by reliable; working papers and submitted for audit within the agreed timeframe;
- management resolution of accounting standards and presentation issues; and
- key staff available during the audit process.

Business continuity

The 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 the corporation to respond 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 that Busselton Water has corporate responsibility to ensure its assets (human, information and property) are protected and that the continuity of critical water services is 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 last revised in July 2015.

STRATEGIC PRIORITY: 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 its 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. Current population forecasts for Busselton indicate a resident population of up to 50,750 people by 2026, which 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 50-year water demand forecast prepared by Busselton Water during 2014-15.

A total of 331 new properties were connected to the Busselton Water network in 2015-16, a decrease of 22 per cent, to bring the total connections to 12,875. This growth is reflected in water usage, with water consumption reaching a record 4.37 gigalitres during 2015-16, an increase of 0.5 per cent on last year. The average volume of household water use, however, increased by 4 kilolitres (kL) from 284kL to 288kL 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

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 and allowed diversification in potable and non-potable water supply, sewerage and drainage services. In 2014, Busselton Water's operating licence was amended to cover a bigger operating area.

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

Growth business case

During the year, Busselton Water completed a business case to support growth opportunities it believes will deliver significant benefits. The work related to two potential areas of expansion – the management of the Dunsborough-Yallingup Water Supply Scheme and the management of Busselton's rural drainage and flood protection services. These opportunities are still subject to Government approval.

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, Busselton Water proposes to develop a non-potable water scheme for community recreation areas.

OPERATING REPORT

During the year, we also explored the opportunity of managing Busselton's rural drainage and flood protection services, including a pilot study in the Buayanyup sub-catchment. The study involved 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 undertaken in partnership with the Water Corporation, the City of Busselton, the Department of Water and GeoCatch.

In 2015-16 Busselton Water actively participated as a member of the Vasse Taskforce which is responsible for driving implementation of the actions outlined in the Government's response to the Professor Barry Hart Report for improving the management and health of key water assets in the Geographe Catchment.



CORPORATE GOVERNANCE REPORT

Corporate governance

Busselton Water has established a strong corporate governance framework, ensuring that all requirements contained within the *Water Corporations Act 1995* are addressed in our Board Charter.

An annual review of our policies, procedures, controls and risk management processes ensure we deliver the commitments set out in the Board Charter and comply with relevant Premier's circulars.

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

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 must reside in the Busselton Water operating licence area so far as is

necessary to ensure a majority of directors are residents of the licence area.

Directors are appointed for a term of three years and are eligible for re-appointment. The terms of appointment are staggered so that one third of the Directors retire each year, which ensures continuity of knowledge and experience on the Board. 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 for the coming 12 month period. A five-year Strategic Development Plan is updated each year to provide longer term direction. Both plans for the 2015-16 reporting period were presented to the Minister for Water.

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

At monthly meetings, the Board monitors financial and operational performance and considers progress towards our vision in each of the strategic priority areas ie Leadership, Strategy and Planning,

Information and Knowledge, People, Customers and Other Stakeholders, Process Management, Improvement and Innovation, Results and Sustainable Performance and Growth.

Changes to the Board

Ms Helen Shervington was re-appointed as Chair for a term of three years expiring on 31 May 2019.

Mr William Angus Smith was re-appointed as member for a term of three years expiring on 31 May 2019.

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 financial reporting, 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, Chief Finance Officer and Senior Executive Group members. External

attendees during the year included internal auditors.

Tele-conference meetings are held with the audit staff of the Office of the Auditor General, Board Chair, Chair of the Audit Committee, Chief Executive Officer, Chief Finance Officer and the General Manager Business Services.

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 2015-16 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 remains informed and monitors performance through comprehensive monthly reporting.

The Board and Audit Committee undertake annual performance evaluations of the Board, Audit Committee and individual members to assess performance against the requirements of the Board and Audit Committee Charters, the *Water Corporations Act 1995* and any relevant achievement goals. Outputs from the reviews are used to inform the Director Development Program, including training opportunities.

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 Busselton Water's 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.

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 2015-16, the Busselton Water Code of Conduct was reviewed and endorsed by the Board. 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.

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 has an approved record keeping plan. The renewal of our Record Keeping Plan coincided with corporatisation and subsequent legislative change and in accordance with Section 28 (5) of the Act, the plan was submitted to the Minister and approved in June 2014.

Record-keeping training is provided for new employees and included familiarisation with the document management policy and procedures.

In 2015-16 the efficiency and effectiveness of Busselton Water's record keeping system was evaluated. A new business classification scheme was developed and imported and a suite of quick reference guides were

made available to assist staff to use the recordkeeping system.

Public Interest Disclosure Statement

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

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

There were no public interest disclosures during 2015-16.

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 at www.busseltonwater.wa.gov.au. Its purpose is to provide members of the public with information about how to access documents we may hold.

During the year, no requests for information were made.

Reportable expenditure

The *Electoral Act 1907* (Section 175ZE) requires Busselton Water to disclose its expenditure with advertising agencies, polling organisations, media advertising, market research and direct mail organisations. Total expenditure in 2015-16 was \$16,341. Expenditure in each category is set out as follows:

Category	Expense \$
Media advertising	
Rural Press Regional Media (water efficiency measures, water supply improvements, community events)	\$6,330
Marketforce Productions (notices for proposed maintenance, recruitment)	\$461
Direct mail organisations	
Market research	Nil
Polling organisations	Nil
Advertising agency engagement strategy (communications and engagement partner)	\$9,550

Directors' report

The Directors of Busselton Water present their report for the 12 month period ending 30 June 2016.

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 2016 is set out in the following table:

Director	Board		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Helen Shervington	11	11		
Paul Carter	11	11	3	2
Christopher Boulton	11	9	3	3
Matthew Walker	11	9		
William Angus Smith	11	11	3	3
Geoffery Oddy	11	11		

Board meetings are held monthly. There was no meeting held in December 2015.

The Audit Committee meet three times per year.

Senior Executive

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

Three highest paid employees	Title	Year ended 30 June 2016	Year ended 30 June 2015
Christopher Elliott	Chief Executive Officer	✓	✓
Robin Belford	General Manager Operations	✓	✓
Vivienne MacCarthy	General Manager Business Services		✓
Diane Depiazz	A/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*. The organisation's 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 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 2015-16, Busselton Water is considering options for growth and expansion into other water services.

Operating results

We made a profit before tax of \$4.6 million in 2015-16, (2014-15: \$4.0 million) and an after tax profit of \$3.1 million (2014-15: \$2.6 million).

Dividends

Dividends paid by Busselton Water since the end of the previous financial year were:

Date of	Amount \$M	Date of payment
Final 2014-15	1.4	24/12/2015

Dividends declared after end of year

After the balance sheet date, the Directors have proposed a final dividend of \$1.5 million for the 2015-16 year, payable on or before 31 December 2016.

The financial impact of the dividend has not been brought to account in the financial statements for the year ended 30 June 2016 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 performed well against all targets set out in the SCI 2015-16.

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		Non-monetary benefits		TBR ³		Post-employment superannuation		Other-long term benefits ⁴		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
\$			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
0-10,000	1 ²	3 ²	-	7	-	-	-	-	-	1	-	-	-	8
10,001-20,000	4	3	13	12	-	-	-	-	1	1	-	-	14	13
20,001-30,000	1	1	25	25	-	-	-	-	2	2	-	-	27	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		Non-monetary benefits ³		TBR ⁴		Post-employment superannuation		Other-long term benefits ⁵		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
\$			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
50,001-100,000	1	-	87	-	-	-	-	-	-	-	-	-	87	-
100,000-150,000	1	1	130	112	-	-	-	-	12	11	(8)	3	134	126
150,001-200,000	1	2	172	154	12	6	-	-	16	14	-	-	200	174
250,001-300,000	1	1	235	223	16	16	21	-	22	21	5	1	298	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 1999* (Cth) and the *Environmental Protection Act 1986* (WA).

Under the *Environmental Protection Act*, we are registered to discharge 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 2016 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 2016 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect 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.

Director's interest and benefits

In the 12 month period ending 30 June 2016, 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 2016, 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 2016, 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, 29 August 2016

The background of the entire page is a textured, olive-green surface that resembles water with shimmering light reflections. Overlaid on this are several large, flowing, wavy lines in a light grey or off-white color. These lines sweep across the page from left to right, creating a sense of movement and fluidity. Some of these lines are thicker and more prominent, while others are thinner and more delicate. The overall aesthetic is modern and organic.

FINANCIAL REPORT

for the year ended 30 June 2016

DIRECTORS' DECLARATION

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CASH FLOWS

NOTES TO THE FINANCIAL STATEMENTS

Note 1	Australian Accounting Standards	Note 12	Depreciation Expense
Note 2	Summary of Significant Accounting Policies	Note 13	Administration Expenses
Note 3	Judgements Made by Management in Applying Accounting Policies	Note 14	Finance Costs
Note 4	Key Sources of Estimation Uncertainty	Note 15	Other Expenses
Note 5	Disclosure of Changes in Accounting Policy and Estimates	Note 16	Net Gain/(Loss) on Disposal of Non-Current Assets
Note 6	Water Sales Revenue	Note 17	Cash and Cash Equivalents
Note 7	Operating Subsidy Contributions	Note 18	Other Financial Assets
Note 8	Developer Contributions	Note 19	Receivables
Note 9	Interest Revenue	Note 20	Property, Plant and Equipment
Note 10	Other Revenue	Note 21	Fair Value Measurements
Note 11	Cost of Sales	Note 22	Intangible Assets
		Note 23	Impairment of Assets
		Note 24	Payables
		Note 25	Borrowings
		Note 26	Provisions
		Note 27	Other Liabilities
		Note 28	Equity
		Note 29	Notes to the Statement of Cash Flows
		Note 30	Taxation Equivalents
		Note 31	Joint Operations
		Note 32	Remuneration of Auditor
		Note 33	Commitments for Expenditure
		Note 34	Contingent Liabilities and Contingent Assets
		Note 35	Events Occurring After the End of the Reporting Period
		Note 36	Financial Instruments

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 2016 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, Busselton Water Corporation

Date: 29 August 2016



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

BUSSELTON WATER CORPORATION

I have audited the financial report of the Busselton Water Corporation. The financial report comprises the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

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

Directors' Responsibility for the Financial Report

The directors of the 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 for the audit of the Financial Report

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

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

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

Independence

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

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Busselton Water Corporation for the year ended 30 June 2016 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



GLEN CLARKE

DEPUTY AUDITOR GENERAL

Delegate of the Auditor General for Western Australia
Perth, Western Australia

30 August 2016

FINANCIAL REPORT

Statement of Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
INCOME			
Revenue			
Water Sales Revenue	6	9,196,520	8,486,953
Operating Subsidy Contributions	7	492,067	483,741
Developer Contributions - Headworks	8	1,925,397	1,690,857
Developer Contributions - Mains	8	926,109	460,234
Interest Revenue	9	389,680	475,249
Other Revenue	10	332,456	297,197
TOTAL INCOME		13,262,230	11,894,230
EXPENSES			
Cost of Sales	11	3,292,246	3,030,531
Depreciation Expense	12	1,963,815	1,821,233
Administration Expenses	13	2,024,661	1,837,563
Finance Costs	14	91,703	102,523
Other Expenses	15	1,216,556	1,012,535
Loss on Disposal of Non-current Assets	16	14,368	79,843
Impairment of Non-current Assets	23	32,174	55,593
TOTAL EXPENSES		8,635,523	7,939,820
Profit before income tax equivalent expense		4,626,707	3,954,410
Income Tax Equivalent Expense	30	(1,526,632)	(1,359,232)
Profit after income tax equivalent expense		3,100,075	2,595,178
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	28	2,790,272	144,642
Total Other Comprehensive Income		2,790,272	144,642
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,890,347	2,739,820

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

FINANCIAL REPORT

Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash & Cash Equivalents	17	900,068	652,870
Other Financial Assets	18	11,150,000	11,700,000
Receivables	19	3,063,779	3,571,050
Inventories		414,756	401,761
Prepayments		42,501	85,315
Current Tax Assets		8,383	-
Total Current Assets		15,579,486	16,410,996
Non-Current Assets			
Property, Plant and Equipment	20	71,648,098	65,608,641
Intangible Assets	22	243,289	127,327
Total Non-Current Assets		71,891,387	65,735,968
TOTAL ASSETS		87,470,873	82,146,964
LIABILITIES			
Current Liabilities			
Payables	24	1,659,318	1,256,932
Borrowings	25	256,838	245,501
Provisions	26	840,693	731,366
Current Tax Liabilities		-	184,103
Other Current Liabilities	27	53,053	66,235
Total Current Liabilities		2,809,902	2,484,137
Non-Current Liabilities			
Provisions	26	69,993	58,276
Borrowings	25	1,391,601	1,648,439
Deferred Tax Liabilities	30	12,879,078	12,090,990
Total Non-Current Liabilities		14,340,672	13,797,705
TOTAL LIABILITIES		17,150,574	16,281,841
NET ASSETS		70,320,300	65,865,123
EQUITY	28		
Reserve Fund		11,074,741	9,499,699
Reserves		33,554,143	30,763,871
Retained Earnings		25,691,415	25,601,553
TOTAL EQUITY		70,320,300	65,865,123

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 2016

	Notes	Reserves \$	Retained Earnings \$	Total Equity \$
Balance as at 1 July 2014	28	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
Balance as at 1 July 2015		40,263,570	25,601,553	65,865,123
Total comprehensive income for the year		2,790,272	3,100,075	5,890,347
Transfers to reserves		4,392,095	(4,392,095)	-
Transfers from Reserves		(2,817,053)	2,817,053	-
Transactions with owners, recorded directly in equity				
Dividends paid		-	(1,435,170)	(1,435,170)
Total transactions with owners		-	(1,435,170)	(1,435,170)
Balance at 30 June 2016		44,628,884	25,691,415	70,320,300

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 2016

	Notes	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from Rates & Water Sales		9,743,692	7,906,894
Interest Received		404,879	454,455
Developers Contributions		2,003,340	1,763,867
GST Receipts on Sales		21,010	35,811
GST Receipts From Taxation Authority		608,714	398,103
Other Receipts		333,572	225,114
		13,115,208	10,784,244
Payments			
Payment to Suppliers & Employees		(6,055,332)	(5,116,311)
Finance Costs		(91,703)	(102,523)
GST Payments on Purchases		(624,004)	(490,850)
NET CASH PROVIDED BY OPERATING ACTIVITIES	29	6,344,169	5,074,561
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the Sale of Non-Current Physical Assets		87,273	139,847
Purchase of Non-Current Physical Assets		(3,786,340)	(3,339,752)
NET CASH USED IN INVESTING ACTIVITIES		(3,699,066)	(3,199,905)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(245,501)	(234,665)
NET CASH PROVIDED BY FINANCING ACTIVITIES		(245,501)	(234,665)
CASH FLOWS TO STATE GOVERNMENT			
Operating Subsidy Contributions		492,067	483,741
Taxation Equivalent		(1,759,302)	(1,978,509)
Dividends Paid		(1,435,170)	-
NET CASH PROVIDED TO STATE GOVERNMENT		(2,702,405)	(1,494,768)
Net increase / (decrease) in cash and cash equivalents		(302,803)	145,223
Cash and cash equivalents at the beginning of period		12,352,870	12,207,648
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	29	12,050,068	12,352,870

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

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 1 Australian Accounting Standards

General

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

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

Early Adoption of Standards

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

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).

(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. From 2016, ex-gratia allowances are no longer claimable as an operating subsidy.

(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 equivalent, or income 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

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

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 income tax equivalents are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or 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% 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 of 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 2016.

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 20 '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 2016.

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 20 '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 for the year ended 30 June 2016

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

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

Land is not depreciated.

(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 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.

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

(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 and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted 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.

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

Sick Leave

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

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

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

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

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

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 operators 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.

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

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, or adopted, for annual reporting periods beginning on or after 1 July 2015 that impacted on Busselton Water.

AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. Busselton Water has not yet determined the application or the potential impact of AASB 9.
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 AASB 9.
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.

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. Busselton Water has early adopted AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Where applicable, Busselton Water plans to apply the following Australian Accounting Standards from their application date.

		<i>Operative for reporting periods beginning on/after</i>
AASB 9	<i>Financial Instruments</i> This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , 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 <i>Amendments to Australian Accounting Standards</i> . Busselton Water has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 15	<i>Revenue from Contracts with Customers</i> 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.	1 Jan 2018
AASB 16	<i>Leases</i> This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Busselton Water has not yet determined the application or the potential impact of the Standard.	1 Jan 2019

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

		<i>Operative for reporting periods beginning on/after</i>
AASB 1057	<p><i>Application of Australian Accounting Standards</i></p> <p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.</p>	1 Jan 2016
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.</p> <p>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 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 2018
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 the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></p> <p>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.</p>	1 Jan 2018
AASB 2015-1	<p><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></p> <p>These amendments arise from the issuance of International Financial Reporting Standard <i>Annual Improvements to IFRSs 2012-2014 Cycle</i> in September 2014, and editorial corrections. Busselton Water has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
AASB 2015-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]</i></p> <p>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.</p>	1 Jan 2016

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Operative for
reporting periods
beginning on/after

AASB 2015-6	<i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 12, & 1049]</i> The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.	1 Jan 2016
AASB 2015-8	<i>Amendments to Australian Accounting Standards Effective Date of AASB 15</i> This Standard amends the mandatory effective date (application date) of AASB 15 <i>Revenue from Contracts with Customers</i> so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. Busselton Water has not yet determined the application or the potential impact of AASB 15.	1 Jan 2017
AASB 2016-1	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]</i> This Standard amends AASB 112 <i>Income Taxes</i> (July 2014) and AASB 112 <i>Income Taxes</i> (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. Busselton Water has not yet determined the application or potential impact.	1 Jan 2017
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i> This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.	1 Jan 2017
AASB 2016-3	<i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. Busselton Water has not yet determined the application or the potential impact.	1 Jan 2018
AASB 2016-4	<i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i> This Standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 <i>Fair Value Measurement</i> . Busselton Water has not yet determined the application or the potential impact.	1 Jan 2017

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 6 Water Sales Revenue

	2016 \$	2015 \$
Water Consumption	5,877,698	5,528,768
Connection Fees	487,351	299,756
Standard Supply Charge	2,754,417	2,597,775
Meter Reading Charges	35,818	22,804
Other Water Sales	41,237	37,850
	9,196,520	8,486,953

Note 7 Operating Subsidy Contributions

	2016 \$	2015 \$
Operating Subsidy Contributions	492,067	483,741
	492,067	483,741

Note 8 Developer Contributions

	2016 \$	2015 \$
Headworks contributions - Cash	1,925,397	1,690,857
	1,925,397	1,690,857
Developer mains contributions - Cash	77,943	73,011
Developer mains contributions - Non-Cash	848,166	387,224
	926,109	460,234

Note 9 Interest Revenue

	2016 \$	2015 \$
Busselton Water invested excess funds and received the following interest:		
Interest on Water Fund	59,254	61,267
Interest on Reserves	330,426	413,981
	389,680	475,249

Note 10 Other Revenue

	2016 \$	2015 \$
Backflow Prevention Device Testing Fees	28,440	29,892
Private Works & Sundry Income	20,640	16,986
Operating lease revenue	11,877	11,475
Meter Reading	54,591	58,142
Other Receipts & Services	216,908	180,702
	332,456	297,197

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	12,293	11,877
Later than 1 year and not later than 5 years	53,626	51,812
Later than 5 years	14,600	14,106
	80,519	77,795

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 11 Cost of Sales

	2016 \$	2015 \$
Pumping	706,641	690,090
Maintenance: General Production Plant	1,153,986	1,100,870
Mains & Meters	792,358	708,568
Net Vehicle Running Expenses	46,174	23,562
Net Operations Overhead	25,935	(75,166)
Net Stock Allocated	10,625	1,346
Meter Reading Costs	19,619	20,042
Water Sampling & Monitoring Fees	536,908	561,219
	3,292,246	3,030,531

Note 12 Depreciation Expense

	2016 \$	2015 \$
Freehold Land Improvements	36,161	36,230
Plant, Machinery and Buildings	685,470	618,323
Motor Vehicles	76,801	67,972
Mains and Services	681,948	667,637
Meters	393,208	360,389
Tools	3,071	3,821
Office Equipment	87,157	66,861
	1,963,815	1,821,233

Note 13 Administration Expenses

	2016 \$	2015 \$
Salaries	1,123,366	1,139,388
Salary on Costs & Staff Expenses	131,139	127,527
Office Expenses	633,096	451,225
Stationery & Printing	26,707	24,064
Advertising	800	211
Bank Charges	22,192	28,214
Audit Fees	70,439	54,876
Legal Expenses	655	4,645
Other Administration Expenses	15,349	7,164
Bad Debts Written Off	917	250
	2,024,661	1,837,563

Note 14 Finance Costs

	2016 \$	2015 \$
Loan Guarantee Fee	9,888	9,870
Interest Expense	81,814	92,652
	91,703	102,523

Note 15 Other Expenses

	2016 \$	2015 \$
Members Expenses	120,327	138,519
Other Governance	179,167	150,707
Pensioner Rate Rebate	482,988	431,635
Consulting Fees	111,103	42,844
Private Works	39,685	47,327
Other Costs & Staff Expenses	264,650	201,502
Sundry Expenditure	18,636	-
	1,216,556	1,012,535

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

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

	2016 \$	2015 \$
<u>Cost of Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	(101,642)	(219,690)
<u>Proceeds from Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	87,273	139,847
Net (loss)	(14,368)	(79,843)

Note 17 Cash and Cash Equivalents

	2016 \$	2015 \$
<u>Water Fund Cheque Account (at 1.5% as at 30.06.2016)</u>		
The Corporation has an overdraft limit of \$15,000 on this account.	348,968	541,770
<u>24 Hour Cash Call Account (at 1.65% as at 30.06.2016)</u>	550,000	110,000
<u>Cash on Hand</u>	1,100	1,100
	900,068	652,870

Note 18 Other Financial Assets

	2016 \$	2015 \$
<u>Fixed Term Deposits Held to Maturity</u>		
Reserve Investments: (at 3.05% average)	10,800,000	9,550,000
Water Fund Investments: (at 3.15% average)	350,000	2,150,000
	11,150,000	11,700,000

Note 19 Receivables

	2016 \$	2015 \$
Includes all amounts due to Busselton Water from operations.		
Rates/Std Supply Charge Debtors	669,457	824,451
Excess Water/Consumption Debtors	1,839,651	2,232,894
Deferred Rates/Charges	5,784	5,784
Late Payment Penalty	5,525	4,644
Fire Services	10,875	13,457
Settlement Reading Fees	7,150	7,867
Miscellaneous Fees	5,182	1,693
Sundry Debtors	118,565	114,008
GST (Net Receivable from ATO)	121,165	126,885
Miscellaneous Debtors	280,425	239,368
	3,063,779	3,571,050

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.

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 20 Property, Plant and Equipment

	2016 \$	2015 \$
Land at Fair Value	4,330,000	3,871,000
Capital Works in Progress	802,744	1,821,970
Freehold Land Improvements at Fair Value	680,310	637,300
Accumulated Depreciation	-	(85,060)
	680,310	552,240
Plant & Machinery at Fair Value	13,226,776	14,371,551
Accumulated Depreciation	(13,258)	(1,056,705)
	13,213,518	13,314,846
Buildings at Fair Value	2,496,576	2,440,275
Accumulated Depreciation	-	(198,167)
	2,496,576	2,242,107
Motor Vehicles at Fair Value	733,277	794,477
Accumulated Depreciation	(176)	(87,323)
	733,101	707,154
Mains and Services at Fair Value	44,861,129	40,782,924
Accumulated Depreciation	(3,667)	(1,324,982)
	44,857,462	39,457,942
Meters at Fair Value	4,305,618	3,932,114
Accumulated Depreciation	-	(481,394)
	4,305,618	3,450,720
Tools at Fair Value	35,750	50,250
Accumulated Depreciation	(4,838)	(10,672)
	30,912	39,578
Office Equipment & Furniture at Fair Value	200,954	166,823
Accumulated Depreciation	(3,097)	(15,739)
	197,856	151,084
TOTAL PROPERTY, PLANT AND EQUIPMENT	71,648,098	65,608,641

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 20 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 2016.

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 2016. 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 21.

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
2016								
Land at Fair Value	3,871,000						459,000	4,330,000
Freehold Land Improvements	552,240		40,000	(19,535)	(36,161)		143,766	680,310
Capital Works in Progress	1,821,970	745,744	(1,758,484)			(6,486)		802,744
Plant & Machinery	13,314,846	908,389	821,615		(585,571)	(25,688)	(1,220,074)	13,213,518
Buildings	2,242,107	108,706	31,563		(99,899)		214,098	2,496,576
Motor Vehicles	707,154	194,540		(82,107)	(76,801)		(9,686)	733,101
Mains & Services	39,457,942	2,043,746	857,369		(681,948)		3,180,353	44,857,462
Meters	3,450,720	343,398			(393,208)		904,708	4,305,618
Tools	39,578				(3,071)		(5,595)	30,912
Office Equipment	151,084	69,797	7,937		(20,596)		(10,365)	197,856
	65,608,641	4,414,322	-	(101,642)	(1,897,255)	(32,174)	3,656,205	71,648,098

	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

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 21 Fair Value Measurements

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair value At end of period
2016	\$	\$	\$	\$
Land at Fair Value		1,680,000	2,650,000	4,330,000
Freehold Land Improvements		1,500	678,810	680,310
Plant & Machinery			13,213,518	13,213,518
Buildings		920,776	1,575,800	2,496,576
Motor Vehicles		733,101		733,101
Mains & Services			44,857,462	44,857,462
Meters			4,305,618	4,305,618
Tools		30,912		30,912
Office Equipment		194,856	3,000	197,856
Intangible Assets			243,289	243,289
	-	3,561,145	67,527,498	71,088,644

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

Transfers from Level 3 to Level 2 occurred at the end of the reporting period.

An independent valuation was performed by AON International Valuation Consultants as at 30 June 2016. Transfers between levels of the fair value hierarchy occurred as part of the revaluation.

Valuation techniques to derive Level 2 fair values

Level 2 fair values for Buildings and Land Improvements are derived using the market approach. Fair values for Land, Motor Vehicles, Office Equipment and Tools were valued based on arms-length market transactions of comparable assets. Land values are based on achieved land sale prices of comparable properties over the course of the last 12-18 months. Values for each asset were based on information gathered from discussions with local agents and valuers in the area.

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 21 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
2016	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fair value at start 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
Additions			908,389	92,530		2,043,746	343,398			220,184
Transfers (from/(to) WIP		40,000	821,615	31,563		857,369				
Revaluation increments/(decrements) recognised in Profit or Loss										
Revaluation increments/(decrements) recognised in Other Comprehensive Income	339,000	144,953	(1,220,074)	56,956		3,180,353	904,708		(2,913)	(37,661)
Transfers (from/(to) Level 2)	(160,000)	(3,358)		(781,692)	(707,154)			(39,578)	(144,375)	
Disposals		(19,535)								
Depreciation Expense		(35,490)	(585,571)	(65,664)		(681,948)	(393,208)		(797)	(66,560)
Fair value at end of period	2,650,000	678,810	13,239,206	1,575,800	-	44,857,462	4,305,618	-	3,000	243,289
Total gains or losses for the period included in profit or loss, under 'Loss on Disposal and Impairment'		19,535	25,688							
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period										

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 21 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										

Note 21 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, mains and services, meter assets, 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 Busseton 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.

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 21 Fair Value Measurements (continued)

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

Description	Fair Value 2016 \$	Fair Value 2015 \$	Valuation techniques	Unobservable inputs
Land	2,650,000	2,471,000	Market approach	Selection of land with similar approximate utility
Freehold Land Improvements	678,810	552,240	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Plant & Machinery	13,213,518	13,314,846	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Buildings	1,575,800	2,242,107	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Motor Vehicles	-	707,154	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Mains & Services	44,857,462	39,457,942	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Meters	4,305,618	3,450,720	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Tools	-	39,578	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Office Equipment	3,000	151,084	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Intangible Assets	243,289	127,327	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset

Reconciliation of the opening and closing balances are provided in Notes 20 and 22.

Basis of Valuation

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

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 22 Intangible Assets

	2016 \$	2015 \$
Computer Software		
At Fair Value	254,744	219,620
Accumulated amortisation	(11,455)	(92,294)
	243,289	127,327
Reconciliations:		
Carrying amount at start of period	127,327	83,268
Additions	220,184	100,160
Classified as held for sale		
Revaluation increments/(decrements)	(37,661)	-
Impairment losses recognised in Statement of Comprehensive Income		
Impairment losses reversed in Statement of Comprehensive Income		
Amortisation expense	(66,560)	(56,101)
Carrying amount at end of period	243,289	127,327

Note 23 Impairment of Assets

As at 30 June 2016, a horizontal pressure vessel (Plant and Machinery), mains upgrade (Mains and Services) and a wall around a clearwell (Buildings) were identified as impaired. The value of the impairment has been recognised as follows:

	2016 \$	2015 \$
Impairment loss	32,174	55,593

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 2016 have either been classified as assets held for sale or written-off.

Note 24 Payables

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

	2016 \$	2015 \$
Trade Creditors	907,731	650,432
Payroll Creditors	45,999	48,693
Miscellaneous Creditors	705,588	557,807
	1,659,318	1,256,932

Note 25 Borrowings

	2016 \$	2015 \$
<u>Current</u>		
WATC Loan	256,838	245,501
Total Current	256,838	245,501
<u>Non-Current</u>		
WATC Loan	1,391,601	1,648,439
Total Non-current	1,391,601	1,648,439

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 26 Provisions

	2016 \$	2015 \$
<u>Current</u>		
Annual leave ^(a)	227,743	196,990
Long service leave ^(b)	108,665	84,265
Sick leave ^(c)	424,741	382,616
	761,149	663,872
Employment on-costs ^(d)	79,545	67,494
	840,693	731,366
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)	58,768	48,930
Employment on-costs ^(d)	11,225	9,346
	69,993	58,276
Aggregate employee benefit liability	910,686	789,641
Number of employees at year end	30	32
^(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	182,194	157,592
More than 12 months after the end of the reporting period	45,549	39,398
	227,743	196,990

^(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	48,449	37,106
More than 12 months after the end of the reporting period	118,984	96,089
	167,433	133,195

^(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	45,042	41,594
More than 12 months after the end of the reporting period	379,699	341,022
	424,741	382,616

^(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	76,840	65,394
Additional/(reversals of) provisions recognised	70,166	63,242
Payments/other sacrifices of economic benefits	(56,236)	(51,796)
Carrying amount at end of period	90,770	76,840

Note 27 Other Liabilities

	2016 \$	2015 \$
Monies in Trust	17,316	41,008
Income in Advance	35,737	25,227
	53,053	66,235

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 28 Equity

	2016 \$	2015 \$
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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.

General Reserve Fund

Balance at start of period	9,499,699	9,965,467
Less: Transfers to Retained Profits	(2,817,053)	(4,516,089)
Add: Transfers from Retained Profits	4,392,095	4,050,320
Balance at end of period	11,074,741	9,499,699

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.

	2016 \$	2015 \$
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Dividends

The following dividends were declared and paid by the Corporation for the year ended 30 June.

Interim dividend payment	-	-
Final dividend payment for the prior year	1,435,170	-
	1,435,170	-

After 30 June 2016, the Directors proposed a final dividend payment of \$1,463,741 for the 2016 year, payable on or before 31 December 2016. The dividend has not been provided for and there are no tax consequences.

	2016 \$	2015 \$
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Asset Revaluation Reserve Fund

Balance at start of period	30,763,871	30,619,229
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Net revaluation increments/(decrements)

Land	459,000	-
Deferred Tax Land	(137,700)	-
Land improvements	143,766	-
Deferred Tax Land Improvements	(46,285)	6,081
Plant and Machinery	(1,220,074)	-
Deferred Tax Plant and Machinery	361,432	(18,891)
Buildings	214,098	-
Deferred Tax Buildings	(76,341)	24,262
Motor Vehicles	(9,686)	-
Deferred Tax Motor Vehicles	8,242	(11,374)
Mains and Services	3,180,353	-
Deferred Tax Mains and Services	(867,558)	102,314
Meters	904,708	-
Deferred Tax Meters	(101,960)	(6,213)
Tools	(5,595)	-
Deferred Tax Tools	2,205	(1,416)
Office Equipment	(48,026)	-
Deferred Tax Office Equipment	86,600	34,606
Deferred Tax Low Value Pool	(56,907)	15,273
Deferred income tax (note 30 "Taxation equivalents")	2,790,272	144,642

Balance at end of period	33,554,143	30,763,871
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RETAINED EARNINGS

	2016 \$	2015 \$
Balance at Start of Period	25,601,553	22,540,606
Result for the Period	3,100,075	2,595,178
Add Transfers From Reserves	2,817,053	4,516,089
Less Transfers to Reserves	(4,392,095)	(4,050,320)
Dividends Paid	(1,435,170)	-
Balance at End of Period	25,691,415	25,601,553

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 29 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:

	2016 \$	2015 \$
Cash and cash equivalents	900,068	652,870
Other Financial Assets	11,150,000	11,700,000
	12,050,068	12,352,870

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

	2016 \$	2015 \$
Profit after Income Tax Equivalents	3,100,075	2,595,178
<u>Non-cash Items:</u>		
Depreciation	1,963,815	1,821,233
Loss on Sale of Assets	14,368	79,843
Impairment Losses	32,174	55,593
Less Developer Contributed Assets	(848,166)	(387,224)
Income Tax Expense	1,526,632	1,359,232
Operating Subsidy Contributions from Government	(492,067)	(483,741)
<u>(Increase)/decrease in assets:</u>		
Current Receivables	486,749	(663,394)
Current Inventories	(12,995)	3,569
Prepayments	42,815	(57,033)
<u>Increase/(decrease) in liabilities:</u>		
Current Payables ^(a)	256,050	558,985
Current Provisions	109,328	95,165
Non-Current Provisions	11,717	22,598
Net GST receipts/(payments) ^(b)	5,720	(56,936)
Change in GST in receivables/payables ^(c)	147,955	131,494
Net cash provided by/(used in) operating activities	6,344,169	5,074,561

^(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.

^(d) 2015 comparatives have been reclassified from current receivables as they relate to prepayments.

Note 30 Taxation Equivalents

	2016 \$	2015 \$
(a) Income Tax Expense		
<i>Current income</i>		
Current income tax charge	1,566,816	1,410,241
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(40,184)	(51,009)
Total Income tax expense	1,526,632	1,359,232
(b) Amounts recognised in other comprehensive income		
<i>Deferred income tax</i>		
Unrealised gain on available for sale financial assets	828,272	(144,642)
Income tax benefit recognised in other comprehensive income	828,272	(144,642)
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax equivalents	4,626,707	3,954,410
Tax at the statutory income tax rate of 30% (2015: 30%)	1,388,012	1,186,323
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	138,620	172,909
Total Income Tax Expense	1,526,632	1,359,232

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 30 Taxation Equivalents (continued)

(d) Deferred Income Tax

	Statement of Financial Position		Statement of Comprehensive Income	
	2016	2015	2016	2015
	\$	\$	\$	\$
<i>Deferred income tax assets</i>				
Provisions - employee benefits	273,206	236,893	(36,313)	(35,330)
Accrued Superannuation	1,829	1,275	(554)	(861)
Prepaid expenses	(3,764)	(294)	3,470	294
Gross deferred income tax assets	271,271	237,874		
<i>Deferred income tax liabilities</i>				
Revaluation of land, property, plant & equipment infrastructure	13,116,144	12,287,874	828,270	(144,641)
Developer contributions	-	2,180	(2,180)	(13,239)
Interest receivable	34,205	38,810	(4,605)	(1,875)
Gross deferred income tax liabilities	13,150,349	12,328,864		
Net deferred income tax liabilities	12,879,078	12,090,990		
Deferred income tax expense			788,088	(195,652)

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 31 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:

	2016 \$	2015 \$
Non-current assets		
Office Equipment	83,000	89,304

The joint operation was entered into in 2014-15.

Note 32 Remuneration of Auditor

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

	2016 \$	2015 \$
Auditing the accounts, financial statements	37,100	36,450
	37,100	36,450

2015 comparatives have been restated.

Note 33 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 ISIS Capital 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.

	2016 \$	2015 \$
Commitments for minimum lease payments are payable as follows:		
Within 1 year	139,713	112,258
Later than 1 year and not later than 5 years	141,805	141,071
	281,518	253,330

Capital Expenditure Commitments

	2016 \$	2015 \$
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	179,563	368,480
	179,563	368,480

Figures reported include GST.

The capital commitments include amounts for land improvements, water plant upgrades/refurbishments, meters and stock.

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 33 Commitments for Expenditures (continued)

Other Expenditure Commitments

	2016 \$	2015 \$
Other expenditure commitments, contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within 1 year	138,830	45,581
	138,830	45,581

Figures reported include GST.

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

Note 34 Contingent Liabilities and Contingent Assets

There were no contingent liabilities or assets to report as at 30 June 2016.

Note 35 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 36 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 2016.

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.

		- 100 basis points		+ 100 basis points	
2016	Carrying Amount \$	Surplus \$	Equity \$	Surplus \$	Equity \$
Financial Assets					
Cash & cash equivalents	900,068	(9,001)	(9,001)	9,001	9,001
Other financial assets	11,150,000	(111,500)	(111,500)	111,500	111,500
Financial Liabilities					
WATC Borrowings	1,648,439	(16,484)	(16,484)	16,484	16,484
Total Increase/(Decrease)		(136,985)	(136,985)	136,985	136,985

		- 100 basis points		+ 100 basis points	
2015	Carrying Amount \$	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

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 36 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 36(c) 'Financial Instruments' and note 19 'Receivables' to the financial statements.

There are no amounts of collateral held as security at 30 June 2016.

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 2016 and 30 June 2015 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 36(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:

	2016 \$	2015 \$
Financial Assets		
Cash and cash equivalents	900,068	652,870
Receivables ^(a)	2,942,614	3,444,165
Other Financial Assets	11,150,000	11,700,000
Financial Liabilities		
Payables	1,659,318	1,256,932
WATC Borrowings	1,648,439	1,893,940
Other Financial Liabilities	53,053	66,235

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

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 36 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
2016	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	900,068	900,068	-	-	-	-	-	-
Receivables ^(a)	2,942,614	2,825,677	-	37,748	79,189	-	-	-
Other Financial Assets	11,150,000	11,150,000	-	-	-	-	-	-
	14,992,682	14,875,745	-	37,748	79,189	-	-	-
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	-	-	-

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

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 36 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	Fixed interest rate	Variable interest rate	Non-interest bearing	Nominal amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
2016	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Financial Assets</u>											
Cash and cash equivalents	1.58	900,068	-	898,968	1,100	900,068	900,068	-	-	-	-
Receivables ^(a)		2,942,614	-	-	2,942,614	2,942,614	2,942,614	-	-	-	-
Other Financial Assets	3.06	11,150,000	11,150,000	-	-	11,150,000	1,800,000	6,600,000	2,750,000	-	-
		14,992,682	11,150,000	898,968	2,943,714	14,992,682	5,642,682	6,600,000	2,750,000	-	-
<u>Financial Liabilities</u>											
Payables		1,659,318	-	-	1,659,318	1,659,318	1,659,318	-	-	-	-
WATC Borrowings	4.54	1,648,439	1,648,439	-	-	1,648,439	-	63,127	193,711	1,151,561	240,040
Other Financial Liabilities		53,053	-	-	53,053	53,053	-	35,737	17,316	-	-
		3,360,810	1,648,439	-	1,712,371	3,360,810	1,659,318	98,864	211,027	1,151,561	240,040

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

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2016

Note 36 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
2015	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Financial Assets</u>											
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	-	-
<u>Financial Liabilities</u>											
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).

(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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BUSSELTON WATER

Busselton Water

1 Fairbairn Road
Busselton WA 6280

PO Box 57
Busselton WA 6280

Phone: 61 (8) 9781 0500
Fax: 61 (8) 9754 1075
admin@busseltonwater.wa.gov.au

busseltonwater.wa.gov.au