



2017

ANNUAL REPORT

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BUSSELTON WATER

BUSSELTON WATER ANNUAL REPORT 2017

This report is a review of our performance for the financial year ending 30 June 2017. It informs our shareholder, customers, community and stakeholders about Busselton Water, our governance, the strategic priorities which have driven our activities during the year, and our operational and financial performance.



To the Hon Dave Kelly MLA
Minister for Water

In accordance with Section 60 and Clauses 35 and 36 of Schedule 3 of the *Water Corporations Act 1995*, we hereby submit for your information and presentation to Parliament, the Annual Report of Busselton Water Corporation for the year ended June 2017.

Helen Shervington
Chair
Busselton Water Corporation

Chris Elliott
Chief Executive Officer
Busselton Water Corporation

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OUR YEAR AT A GLANCE

Busselton Water's 2016-17 performance demonstrates our strong commitment to delivering water services safely, efficiently, sustainably and in collaboration with our customers and stakeholders.

During the year we:

- extracted 5.15 gigalitres (GL) of groundwater;
- delivered 5.0GL of drinking water to 13,174 customers;
- provided 0.24GL of potable water to the Dunsborough-Yallingup Water Supply Scheme;
- achieved revenue of \$12.2 million;
- achieved a profit before income tax of \$3.3 million;
- returned to Government, by way of net accruals, \$2.2 million;
- paid a dividend of \$1.5 million to Government;
- invested \$1.6 million in infrastructure; and
- employed 30 local people.



EXECUTIVE SUMMARY

Highlights



Leadership

We embarked on a comprehensive Environmental Management System to target opportunities for a reduced carbon footprint across the organisation. Reduced energy consumption was a key focus with more than 300 solar panels installed to offset the electricity generated at our Plant 2 operations – one of the biggest solar installations of its kind in the City of Busselton.



Strategy and planning

Our strategic planning process improved and evolved during the year, with the alignment of the business' eight strategic priorities against the *Business Excellence Framework* and a rigorous performance review.



Information and knowledge

A resolve to apply leading edge technology and achieve a best practice Intelligent Water Network resulted in trial programs in new generation water meters and GPS geo-plotting to map the water network, backed by communications infrastructure improvements across our business.



People

An uncompromising commitment to safety resulted in a reduction in our All Injury Frequency Rate to zero. This outstanding safety record and progress towards best practice safety and health management was recognised by the Industrial Foundation for Accident Prevention which awarded Busselton Water two prestigious industry awards for our safety performance including the IFAP/CGU Safe Way Gold Achievement Award.

EXECUTIVE SUMMARY



Customers and other stakeholders

Sweeping improvements in our digital communications – including a revitalised website and interactive online payment and account management system – progressed significantly during the year. The successful launch of our Facebook page was another highlight – further enhancing the customer experience and helping to grow the number of channels in which we can inform and engage with our customers.



Process management, improvement and innovation

A strong commitment to the quality of our water, coupled with an extensive testing and monitoring program, resulted in the achievement of 100 per cent compliance with the Australian Drinking Water Guidelines. A program of refurbishments, upgrades and maintenance across our three water treatment plants also supported the delivery of safe, high quality drinking water to our customers.



Results and sustainable performance

For the second consecutive year, Busselton Water was named in the Auditor General's Audit Results Report as one of the Western Australian Government's top 20 small 'best practice agencies' for financial reporting, recognising the calibre of our financial reporting systems and controls.



Growth

We are preparing for our region's future growth by expanding our leadership and workforce capabilities and improving the technological and business platforms that support them. This year, our customer base expanded to more than 13,000 for the first time, as we connected almost 300 new properties to the network and increased our supply of potable water to Dunsborough.

EXECUTIVE SUMMARY



From the Chair

I am delighted to present the Annual Report for 30 June 2017.

For more than a century, Busselton Water has supplied safe, sustainable and affordable water to the Busselton community. Today the corporation continues to strive to improve and enhance its services within what is one of the fastest growing regional areas in WA.

It has been another highly successful 12 months for the corporation, demonstrated by a raft of achievements for 2016-17 including updates and improvements to our business continuity and incident response plans, continued robust water quality and aquifer monitoring programs and the ongoing development of an environmental management system – with the aim towards compliance with the ISO 14000 suite of environmental management standards.

Our ongoing commitment to cost efficiency and meeting customers' water needs in the most economical way is once again reflected in our positive financial results. The business achieved a net profit before tax of \$3.3 million. Total dividend payments of \$1.5 million were paid to the State Government in accordance with our obligations as a Government Trading Enterprise.

Measures to meet increasing demand continued in 2016-17 with our 100 per cent self-funded capital works and infrastructure program which saw no additional borrowings required. This significant level of investment is required to meet growing demand for water within the South West region which is expected to more than double from five billion litres to over 10 billion litres per annum by 2060.

I am confident that our highly successful business model, backed by our proven track record, will continue to successfully meet current and future needs for high quality and reliable water sources in the Busselton and the South West.

On behalf of the Board, I would like to thank Chris Elliott and his dedicated team for another impressive performance over the past year. These outstanding results clearly demonstrate Busselton Water is a successful and prosperous operation with a bright future.

May I also acknowledge my fellow Directors who are all highly capable and active members of the local community and dedicated to working towards a new and improved future Busselton.

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

Helen Shervington
Chair

EXECUTIVE SUMMARY



From the CEO

In 2016-17, Busselton Water continued to expand and improve its business and deliver even better service to the community by addressing emerging local water issues and challenges.

Our focus has been firmly on improved efficiency, optimisation of existing resources, innovation and selective business acquisition. We are committed to delivering high quality and highly affordable services to the rapidly growing South West and are extremely proud that we continue to offer some of the lowest tariffs in Australia for the delivery of potable water.

Once again, we have achieved highly positive results both in terms of financial returns and compliance with all required standards and benchmarks for health and water quality as well as the protection of the environment.

Continued growth in the Busselton and Dunsborough regions saw our customer base grow by 2.3% to 13,174 customers in 2016-17. Higher than average winter rainfall and a late start to summer resulted in a slight decrease in production of 3.2% to 5.0GL. These climate impacts were also reflected in sales which generated \$9.1 million in revenue, representing a 0.8% decrease on the previous year. A net profit after tax of \$2.1 million was returned.

More than \$1.6 million worth of planned capital and maintenance works was carried out in 2016-17 including completion of the final stage of the trunk main duplication to Vasse, ensuring continuity of supply to customers in this fast growing area of Busselton. In addition refurbishments, upgrades and maintenances of our three water treatments plants were also undertaken, resulting in the water treatment system being fully available and reliable.

Busselton Water continues to support the communities in which we operate. This year, we proudly launched our new Community Partnership Program

as part of our ongoing commitment to sponsoring, facilitating and encouraging grassroots initiatives and local organisations.

We are also committed to providing a safe workplace and pride ourselves on our uncompromising approach and impressive track record which saw the All Injury Frequency Rate (AIFR) reduce to zero in November 2016. I would like to congratulate our dedicated team of staff for their contribution to this outstanding result and for all the other notable achievements of the past year, made possible through the hard work and professionalism of all of our Busselton Water employees.

I would also like to acknowledge and thank our Board of Directors for their continued commitment, confidence and support both in the past 12 months and moving forward.

Chris Elliott
Chief Executive Officer

OUR BUSINESS



Busselton Water has supplied safe, sustainable and affordable water to the Busselton community for more than 110 years.

Established in 1906, the organisation is owned by the Western Australian Government and is accountable to its sole shareholder, the Honourable Dave Kelly 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, reserve funding, borrowings 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 actively investigates opportunities to enhance its services and underpin its financial sustainability.



OUR BUSINESS

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 licences 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 within the Busselton local government area. As the South West region is a key tourist destination, our service also caters for a population spike to more than 50,000 people during peak holiday periods.

The corporation supplies 13,174 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 3,085 residential customers with pensioner and senior rebates; concessions for leaks and bursts in the internal water reticulation system; exemptions in cases of special hardships; and discounts for concession holders in private rental tenancies.

Our stakeholders

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

We proactively engage with a range of 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, invest in our local community, and raise customer and stakeholder awareness about our role and services through timely, targeted and relevant communication, education and community partnership 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.

Integrity

We are open and transparent in everything we do. We:

- act ethically;
- are accountable for our actions;
- contribute to a work environment free from harassment and discrimination; and
- understand that each individual is unique and recognise our differences.

Respect

We value our people, our environment and our community. We:

- work with an uncompromised focus on safety;
- are aware of our impact on others and use it to build a positive work environment;

- act in an environmentally responsible way; and
- coach and develop each other in living our values.

Courage

We embrace innovation, challenges and opportunity. We:

- have a positive and optimistic attitude towards goals;
- think differently about the future and how to get things done;
- are resilient and tenacious when faced with difficulty; and
- set and expect high standards of performance for self and teams.

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 and 2014, to corporatise our business and expand our operating licence has created 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

Under our organisational structure, core business activities are divided into two distinct streams – Operations and Business Services – each headed by a General Manager reporting directly to the Chief Executive Officer (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.

Busselton Water employs 30 team members within its two divisions and engages external support and expertise as required.



OUR BOARD



L-R: Chris Boulton; Matthew Walker; Paul Carter (Deputy Chair); Geoffery Oddy; Helen Shervington (Chair); Angus Smith; Chris Elliott (CEO).



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

Angus Smith was appointed to the Board in 2013. He is a Chartered Accountant and Registered Tax Agent operating in public practice. Mr Smith is a former executive member of the Busselton Chamber of Commerce and Industry, and current 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, Geoffery 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. He 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 over 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, CPEng

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.



KEY BUSINESS RESULTS

Across all areas, corporate performance in 2016-17 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 and Busselton Water is supporting this growth through the delivery of developer funded infrastructure and its own capital works program. We have delivered these 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 \$3.3 million profit before tax in 2016-17 and revenue of \$12.2 million (from \$13.3 million in 2015-16).

Water sales generated \$9.1 million revenue in 2016-17 (\$9.2 million 2015-16). Ex-plant production is down, due to higher rainfall and on average lower temperatures experienced.



A further \$1.3 million revenue (\$2.1 million 2015-16) was driven by land development activity from large developments in Vasse and Old Broadwater Farm. The fall in land development revenue is an indication of a slow down of the housing sector in the Busselton area.

Operating expenditure in 2016-17 was \$9 million.

Net accruals to Government

After 30 June 2017, the Directors proposed a final dividend payment of \$1.4 million for the 2017 year, payable on or before 31 December 2017.

We are also required by the Australian Taxation Office to lodge a National Taxation Equivalent Return and pay tax equivalents to the State of \$1.2 million.

We also pay local government rates equivalent of \$0.06 million to the State Government.

We received an operating subsidy from the Government of \$0.53 million for the provision of rebates to pensioners and seniors.

When our payment is offset by our Government Subsidy, the resulting Net Accrual to Government is \$2.2 million.

Debt and borrowings

Our capital program in 2016-17 was self-funded and no additional borrowings were required.

Investing in the community

All 30 of Busselton Water's employees and their immediate families live and work in the local area, where they make a direct contribution to the social and economic growth of the community.

Busselton Water's procurement policies award additional weighting to local contractors and suppliers in order to support the local economy wherever possible. Five tenders awarded to local contractors in 2016-17 for the delivery of services including hydraulic engineering, hydrogeological consultancy, plant control system maintenance, solar array and pipe laying.

KEY BUSINESS RESULTS

Our financial results

Financial results (\$m)	2016-17 budgeted	2016-17 revised budget	2016-17 actual	Variance
Operating profit before income tax	2.27	2.18	3.27	1.09
Operating profit after income tax	1.55	1.47	2.09	0.63
Loan principal repaid	0.26	0.26	0.26	0.00
Capital expenditure	2.68	3.01	1.63	1.38
Net accrual to Government (\$'000s)				
Income tax equivalents (NTER)	711.36	711.36	1,176.69	465.33
Local Government rate equivalents	27.00	27.00	55.97	28.97
Dividends provided	842.93	1,463.74	1,463.74	0.00
Total accruals to Government	1,581.29	2,202.10	2,696.40	494.30
Less: Payments from Governments (Operating subsidies)	646.37	653.18	527.19	(125.99)
Net accruals to Government	934.92	1,548.92	2,169.21	620.29
Financial performance measures (%)				
Return on fixed assets	2.27	2.27	2.94	0.67
Return on equity	2.34	2.34	2.94	0.60
Debt to equity ratio	2.10	2.10	1.96	0.14
Debt to total assets ratio	1.69	1.69	1.59	0.10

Our key performance outcomes

Financial results	2016-17 target	2016-17 actual	Result
Operating profit after tax	\$1.55m	\$2.09m	On target
Net accrual to Government	\$0.94m	\$2.17m	On target
Customers and Other Stakeholder Outcomes			
Number of complaints per 1,000 customers (rolling year average)	<10	1.4	On target
Complaint resolution within 15 business days	27.00	100%	On target
Leadership and Governance Results			
Adverse audit findings	Nil	Nil	On target
People Results			
Number of reported hazards per month (rolling year average)	≥10	11.6	On target
Staff participation in Performance Management process	100%	100%	On target
Operational Results			
Drinking water quality compliance with health standards	100%	100%	On target
Residential water efficiency target kL/pp/year	116	110	On target
Society Outcomes			
Investment in society, community and environmental responsibility	Increasing trend	\$42,084	On target

KEY BUSINESS RESULTS

Management trends

Key performance Indicator	2012-13	2013-14	2014-15	2015-16	2016-17
Properties served (% per km of water mains)	38.5	39.7	39.4	39.8	40.2
Average annual residential water supplied (kl/property)	271.9	286.6	284.0	288.0	274.0
Total number of water main breaks	20	23	26	23	23
Water main breaks (per 100km of water main)	6.6	7.7	8.3	7.3	7.2
Total number of water quality complaints (per 1,000 properties)	18.5	2.4	1.7	3.8	1.1
Total number of water service complaints (per 1,000 properties)	0.2	0.0	0.0	0.0	0.0
Total number of account and billing complaints (per 1,000 properties)	0.3	0.2	0.2	0.0	0.2
Duration of unplanned water interruption (average minutes)	87.2	77.1	197.5	85.8	63.51
Incidence of unplanned water interruptions (average per 1,000 properties)	96.9	167.9	166.6	239.5	235.81
Economic real rate of return (% net water revenue/written down value of water assets)	0.5	5.8	5.4	6.0	4.2
Lost time injury frequency rate (LTI per one million hours)	20.7	43.4	21.8	20.1	0.0
Lost time injury incidence rate (LTI per 100 workers)	3.3	7.1	3.4	3.1	0.0
% return on weighted balance of investments target AusBond Bank Bill (1.8% 2016-17)	4.7	3.9	3.6	3.0	2.8

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 contributing to the liveability and sustainability of our local community and environment.

Leadership and governance

Risk management

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

The framework is aligned with the *WA Government Risk Management Guidelines* by RiskCover, the *AS/NZS ISO 31000:2009 Principles and Guidelines*, and the *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. The ongoing nature of the process continually improves the way we conduct our business activities. It is also applied in the approval of new projects and operations.

The risk management framework is an auditable aspect of Busselton Water's business. As such, it 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.

Improvements to the Risk Management Framework included:

- the development and endorsement of the *Risk Management Strategy*;
- the revision of the following documents: the *Memorandum of Understanding between the Department of Health and Busselton Water for Drinking Water*; *Administration Building Power Outage Response Plan*; *Centralised Contacts List*; and *Busselton Water Drinking Water Safety Plan*;
- reviews of the Risk Register, conducted in July 2016 and January 2017;

- the entry of risks identified in the *Drinking Water Safety Plan* and *Operational Audit and Asset Management Review report* into the Busselton Water risk register;
- the development of the *Emergency Documents Pack Register* and *Responsible Officers Matrix*; and
- the update and re-issue of *Emergency Response Packs*.



The treatment applications for Busselton Water's risks are diverse, and include consultation with regulators; the implementation of operating strategies; emergency and incident response planning; the development of plans, policies, procedures and standards; the availability of critical spares; and emergency shutdown systems.

Risk management sessions were also conducted with the Water Treatment Plant Operators and Water Industry Workers.

There were 23 incidents recorded in the Operational Incident Register in 2016-17, all of which were closed.

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.

In May 2017 an event simulating a water quality issue was conducted in conjunction with the Department of Health. The relevant incident response plans and the Business Continuity Plan were updated and improved as a result.

Leading our organisational culture

Code of Conduct

Our Code of Conduct is a statement of how we conduct business at Busselton Water. The Code aligns our behaviours with our values and is designed to help employees understand their responsibilities and obligations.

Our performance is driven by our greatest asset, our people, and each of us carries the responsibility for living our values and always acting in good faith and in the best interests of the company as a whole.

The Code is intended to provide a framework of shared understanding in relation to the way we behave in the workplace and how we interact with every person associated with Busselton Water.

Board members view the Code of Conduct as an important element in setting the standards of conduct that underpin our culture and influence our reputation as a leading water service provider.

In addition to this document, the Board Charter also sets specific standards by which our Board members are expected to conduct themselves when acting on behalf of Busselton Water. Accordingly,



the Board has endorsed the promotion of the Code of Conduct for all employees as a demonstration of their commitment to the principles of responsible governance.

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

Training sessions are held with employees each time the Code is reviewed to ensure they are aware of and understand their responsibilities.

Our performance against the Code of Conduct is reported annually to the Minister for Water. No breaches were reported in the 2016-17 financial year.

OPERATING REPORT

Society, community and environmental responsibility

Water is a precious and limited resource. As a result of climate change, regional development and a growing population, there is increasing demand for high quality water supplies in the South West region. Busselton Water strives to sustainably manage this resource to ensure equitable access for current and future generations.



Environment

Busselton Water is committed to caring for the environment and responsibly managing the potential impact of our operations. We implement annual and five-year operating plans to optimise water treatment and integrate the delivery of potable water from our treatment plants. We commenced development of an Environmental Management System (EMS) and established a team to progress the implementation towards compliance with the ISO 14000 family of environmental management standards.

Source protection

Busselton Water continued to undertake robust water quality monitoring and aquifer monitoring programs during the year. During this period, 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. As such, it was not necessary for Busselton Water to implement contingency strategies for any circumstances.

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* and ongoing monitoring of the water quality at source. This report is valid for five years and is due for review in 2018.

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. During 2016-17 we continued to protect the Busselton Water aquifers

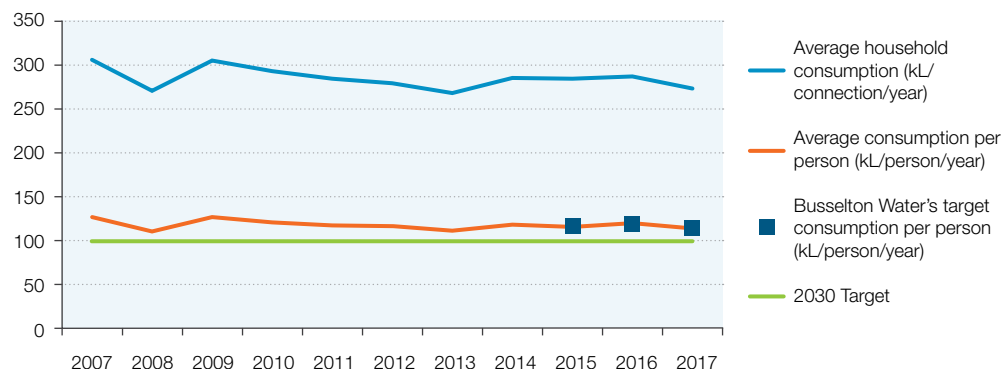
from environmental surface damage through the appropriate construction and maintenance of sealed production bores as per the updated Preventative Maintenance Schedule.

Compliance with relevant legislation

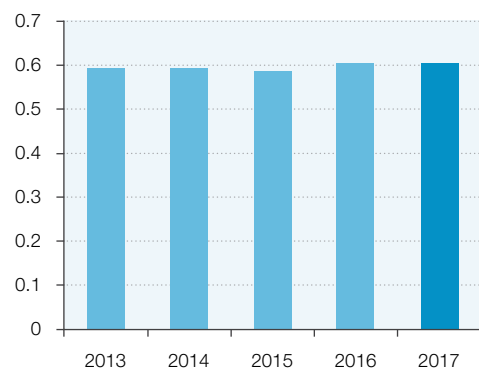
Busselton Water continued to comply with, and implement the environmental requirements of, its Licences 110850 and 110851 and Groundwater Licence Operating Strategy (GLOS). This included compliance with the requirements of the Federal *Environment Protection and Biodiversity Conservation Act 1999* and the *State Environmental Protection Act 1986*.

OPERATING REPORT

Average consumption kL/year



Energy consumption KWh/kL



Water efficiency

Busselton Water supports state-wide water efficiency programs and has set a consumption target, in consultation with the Department of Water, of 100 kilolitres (kL) per person per annum by 2030.

Each year, summer sprinkler roster and winter sprinkler ban campaigns are promoted to the local community. During the year, 212 customers received water efficiency breach letters, along with educational material.



A wet spring and mild summer contributed to lower than expected water use in the community this year. Water consumption averaged 114kL per person this year.

It is anticipated that climate change will provide the most significant challenge in meeting our waterwise goals into the future. We are continuing to foster a waterwise approach across our residential and commercial customers through targeted and well implemented waterwise messaging and campaigns.

Educational programs for school children, householders and businesses continued to operate under Busselton Water's Waterwise Education Program. Busselton Water and local catchment group GeoCatch combined forces to promote sustainable garden practices at a number of community events throughout the year.

Schools were also engaged during National Water Week in October 2016 with incursions and a poster competition.

Big splash for National Water Week



Busselton Water celebrated National Water Week in October by inviting budding artists to tell their 'water story' through a schools poster competition.

Hundreds of entries were received and the winning students from St Mary MacKillop College enjoyed seeing their artwork displayed on a giant billboard on Albert Street in Busselton. Each of the students and the school were presented with certificates at assembly.

The month-long billboard served as a timely reminder to local residents and thousands of summer holidaymakers to be careful with the amount of water they consumed.

Busselton Water's Environmental Scientist, Katie Biggs, also ran school incursions during National Water Week. The students at Geographe Primary School enjoyed a new game of waterwise Twister, and the chance to have a close look at some tiny water animals.

Busselton Water also recommenced the Water Efficiency Management Plan (WEMP) Program for commercial users consuming over 20,000kL annually. Commercial data loggers were installed at two local businesses to provide granular data on water consumption patterns and to quantify leaks. These businesses used this data to develop their WEMPs and measure the effectiveness of any actions to reduce water use. Both businesses were awarded a Busselton Water Waterwise Business in Action certificate for their efforts.

Carbon footprint

Busselton Water has an interconnected water treatment plant system which is operated to maximise the use of off-peak power tariffs. Energy consumption in 2016-17 was maintained at 0.6 kWh/kL – well below our target 0.7 kilowatt hours per kilolitre (kWh/kL).

In June 2017, 100kW of solar panels were installed at Plant 2. This is expected to offset around 15% of the electricity currently consumed at the site and save up to \$40,000 each year on electricity charges.

The success of this project will inform the development of an Energy Strategy to determine which sites should be targeted for future solar installations,

OPERATING REPORT



battery storage, and off-peak power. A review of demand response and demand management options was also commenced to reduce electricity charges over the longer term.

The development of the EMS will further target opportunities to reduce Busselton Water's carbon footprint through operational activities, consumption and purchasing. Staff from across the organisation will be involved in the identification and implementation of these opportunities.

Leak detection

Busselton Water commits to an annual leak detection program to investigate concealed underground water leaks to reduce water wastage and improve asset reliability. During the year, approximately 100 kilometres of water main and service leak search auditing was undertaken by our contractor, Leak Search in the West Busselton, Vasse and Ambergate areas.

Sixty-five leaks were detected and repaired, equating to savings of 11,586 litres per hour, or 278,064 litres per day.

Aboriginal and cultural heritage sites

On 8 June 2015, six identical 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 #2 and Wagyl Kaip and Southern Noongar groups, and the South West Land and Sea Council (SWALSC).

The ILUAs bind the parties (including "the State", which encompasses 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 has registered an NSHA with SWALSC and is currently negotiating the specific exclusions under the agreement.

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 Environment Regulation.



Busselton Water was pleased to work with other Government agencies to proactively identify and manage potential environmental risks in 2016-17. Project groups on which Busselton Water is represented 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.

Capecare leads the way



In a first for any Busselton business, local aged care provider Capecare completed its Water Efficiency Management Plan (WEMP) in March 2017 – committing to halving its water usage over the next five years.

The WEMP considers the amount of water used by Capecare and identifies inefficiencies and potential water conservation measures right across the business.

Capecare was required to complete a comprehensive water use audit and a new data logger was installed to monitor weekly water usage. Ultimately, a range of water saving measures was implemented across its business – from simple improvements in cleaning methods to more significant changes like replacing lawn areas with native gardens.

Reticulation was also changed from mains water to bore water and other simple modifications were made, including moving from a traditional mop-and-bucket cleaning method to microfibre cloths that use significantly less water.

For taking these steps to reduce water consumption, Capecare was recognised as a Waterwise Business in Action and was commended by Busselton Water Chair Helen Shervington. The recognition program is designed to highlight businesses that are working to conserve water.

OPERATING REPORT

Community partnerships

Busselton Water's inaugural Community Partnership Program was launched in 2016-17, as part of our return to the community and our investment in local grassroots organisations.

The program is open to all volunteer groups, not-for-profit community organisations, social enterprises, clubs and schools in the Busselton area who are seeking to boost or kick-start local initiatives. Organisations undertaking community projects in the areas of water quality and efficiency, environmental sustainability, education, innovation and leadership were particularly encouraged to apply.

Three successful applicants received funding under the 2016-17 grants program.

Traditional sponsorships of major events included the SunSmart Busselton Jetty Swim 2017 and water stations on the wharf as passengers disembark from visiting cruise ships.

Disabled Surfers Association South West's 'Let's Go Surfing Days' at Bunker Bay assist people with a disability to have a go at surfing in a safe and dignified way. Now in its eighth season in WA, the four free surfing days ran once a month from December to March, with more than 200 people attending each event. Busselton Water provided support for water and catering at the event.



Busselton Water was proud to support the **Vasse Primary School's "Wicked Patch"** sustainable garden, providing a much-needed 1,500-litre rain water tank, soil wetting agents, drip system reticulation, rain gauge, and water cans for the garden, which was established in 2011.



Busselton Water partnered with **Acting Up! Drama School** to provide year-long scholarships for classes for four budding actresses aged between nine and 13 to hone their craft. Two Busselton Water scholarships were reserved for students requiring financial assistance and the other two to students displaying potential in the art of drama.



STRATEGIC PRIORITY: Strategy and planning

We are committed to using systems and processes to establish and communicate our purpose, vision, values and strategies and to turn strategic decisions and imperatives into actionable plans.



Strategic planning process

Effective implementation of Busselton Water's Strategic Planning Process in 2016-17 ensured the timely completion of all seven steps in the process. All corporate plans and models, including our Statement of Corporate Intent and Strategic Development Plan, were updated and completed on schedule.



Our 2015-16 Annual Report and 2016-17 Statement of Corporate Intent were tabled in Parliament on 21 September 2016.

In 2016-17, improvements to the Strategic Planning Process included:

- reviewing and updating our shareholder's expectations in consultation with the Minister for Water;
- revising and aligning our strategic priorities with our Business Excellence Framework;
- reviewing our current performance using four key planning tools including Inventory, SWOT, PESTLE and Five Forces; and
- undertaking a rigorous performance review and documenting the comprehensive list of our opportunities and challenges that were derived from it.

Our values

Our corporate values, which had been reviewed and endorsed by all Board and staff in 2015-16 were adopted and progressively integrated into the business throughout the year.

Our Strategic Planning Framework

Our Strategic Planning Framework continued to evolve and improve in 2016-17.

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 strategies across the business and form the basis of our Statement of Corporate Intent and Strategic Development Plan.

Our Strategic Planning Framework was also enhanced by the update of our 10-year Asset Investment Program, 30-year Financial Model, 30-year Infrastructure Plan and 50-year Water Demand Projection this year.

STRATEGIC PRIORITY: Information and knowledge

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

In 2016-17 Busselton Water continued to implement a five-year Information and Communications Technology (ICT) Strategy, with a number of major items completed.

Centrelink concession verification

A new Centrelink module was added to our water billing and property database in 2016-17. The module, which interfaces with the Federal Department of Human Services' eService application, provides Busselton Water with more effective controls around concessional rebates, allowing regular validation of customer's concession eligibility. The interface provides a seamless reconciliation to be completed in a short space of time. Customers with data mismatches or declined registrations are advised by letter via an automated process.

CCTV expansion

Additional CCTV cameras were installed at our critical water treatment plants, as recommended in Busselton Water's Security Review. In addition to the plants, CCTV cameras were installed in the Administration Office's customer service area and server room. All cameras have the functionality of remote monitoring via mobile and desktop computers. Additional security to the server room included security screens.

Cyber security

Busselton Water regularly undertakes assessments and audits of information technology and information security. An information security assessment was carried out in 2016-17, representing another step in our journey of continuous improvement.

This year, the objective was to assess the design and operating effectiveness of the security controls implemented throughout the organisation across multiple domains. This review also included an assessment of our supervisory control and data acquisition (SCADA) system.

Penetration testing was performed to identify gaps in Busselton Water's cyber defence and expose vulnerable components of the network by approaching the task as an attacker.

An assessment was also carried out to provide measurable data on susceptibility of Busselton Water's Board and staff to social engineering attacks, and to identify specific training needs. It also served as a test of our existing technical controls (antivirus, firewall, email filters and intrusion detection products).

The recommendations from the assessment are currently being implemented with a number of actions already implemented, including staff and Board training which was carried out following the review.

Intelligent Water Network (IWN) pilot project

Busselton Water has a strong commitment and resolve to achieve a best practice IWN solution for our business. The IWN market for Australia is a rapidly developing and changing market with proven technology not yet available.

During the year we commenced a trial of new generation, ultrasonic Intelis meters with Everblu communications in a number of staff properties. These digital meters provide greater data capture and longer battery life and are a precursor to Narrowband Internet of Things (NB-IoT) compatible meters.

As part of the trial, we also successfully tested new compatible software on the generic android hardware.

The Intelis meter can be read with our existing meter fleet.

Application Program Interface (API) AquaRate-Confirm

Our ICT Strategy identifies the need to integrate machine-to-machine communications between primary business systems for continued business improvement. In 2016-17 we developed an interface between our Customer Relationship Management System and our Asset and Works Management System. Our software partners collaborated to provide a suitable web-based interface solution, with in-built expandability. This enhancement will ultimately facilitate mobile work orders to be issued to field officers working off-site.

DSL plant upgrade

New communication vendor's Digital Subscriber Lines (DSLs) were installed at all SCADA-controlled water treatment plants to allow greater autonomy of the SCADA communications network.

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Plant 2 communications upgrade

A new communications cabinet was installed at Water Treatment Plant 2, along with fibre optic cabling from the Plant's office to the staff room. This will allow the facility to be used as an alternative site for disaster recovery.

EFTPOS upgrade

The wireless Commonwealth Bank EFTPOS terminals at our Administration Office's front counter and our security alarm systems were upgraded in readiness for the National Broadband Network.

Power upgrade

An upgrade of the Administration Office's uninterruptible power supply (UPS) has increased the phone system UPS capacity uptime from 30 minutes to approximately eight hours, and servers from one hour to three hours. The additional UPS capacity for our phone system will avoid the use of a designated mobile phone to receive customer calls during a power outage.

Water meter geo-plotting

In 2016-17, the first stage of Busselton Water GPS Capture Project was implemented to 'geo-plot' the precise

locations of water meters. For some properties, particularly commercial properties and farm land, the water meters can be difficult to locate. The GPS Capture Project will allow exact coordinates of the water meters to be recorded, making them quicker and easier to locate. A GPS device is used to gather location data, which is then overlaid on a map of the area.

The pilot program includes investigation about how Busselton Water can best use the captured coordinates and access the latest accurate digital location records,



resulting in a reduced reliance on staff knowledge.

The benefits of mapping the water network are also significant for customers, with the information able to be accessed by customers by contacting Busselton Water. The pilot project will be completed in 2017-18.

Record keeping

The Sector Disposal Authority (SDA) for Water Services Corporations (Draft 2) was received during the reporting period from the State Records Office for review.

Busselton Water is required to have an approved Retention and Disposal Schedule which sets out the retention and disposal decisions for the business records associated with the provision of water services. Ultimately, the SDA will eliminate the need to produce and conduct five-yearly reviews of the Retention and Disposal Schedule. It will also eliminate the duplication of processes required; reduce time and resourcing imposts; and establish consistent and uniform approaches to the legal disposal of business and other records associated with water services.

An agreement with Compu-stor was entered into in 2016-17 for managing the storage and disposal of records.

STRATEGIC PRIORITY: People

We are committed to attracting, developing and retaining a highly skilled and motivated workforce and creating a great place to work where our people are safe and make a meaningful contribution to organisational improvement, goals and success.



Performance Management Framework

Our Performance Management Framework supports Managers and Line Managers in managing performance to achieve our strategic objectives by leading, coaching and developing employees.



Busselton Water carried out two performance reviews in 2016-17, which included an informal mid-year review and an annual performance appraisal. Employee performance is assessed against individual key performance indicators (KPIs) and behaviours against our values contained within our Code of Conduct.

Our Performance Management Framework is reviewed annually with input from Line Managers and Senior Executive Group prior to the annual performance appraisal. The latest review has seen the process simplified and, in 2017-18, a personal safety plan will be developed in all staff performance agreements.

Workforce planning procedure

Busselton Water has developed a workforce planning procedure which assesses the current skills and capabilities of our staff against those that will be required in the future. Identifying the gap between current and future capability allows Busselton Water to effectively plan for the long term. Our workforce plan then targets the areas where we need to improve.

By ensuring our employees possess the right skills and are a 'good fit' for the job, workforce planning improves the efficiency, effectiveness and productivity of Busselton Water.

Training best practice

Our training and development program follows the 70.20.10 framework for building employee capabilities. The framework comprises 70 per cent on-the-job skills development and experience, 20 per cent mentoring and coaching, and 10 per cent course-based training.

The objective of every employee's training and development plan is to provide the employee with the capabilities needed to achieve their objectives and KPIs.

Leadership is a key focus and is aimed at improving the level of leadership capability throughout Busselton Water. The first phase is the development of leadership directed at Line Manager level.

In 2016-17 Busselton Water's training programme consisted of course based training, coaching and mentoring and on the job skills development and experience.

In addition to this, a structured program commenced this financial year and will be spread over three years, for all distribution team members to obtain their Certificate II in Water Industry Operations.

Our Operational Team Leaders completed high level supervisor training, focussing on ways to improve their leadership skills.

Enterprise agreement

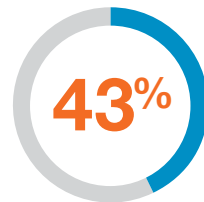
Negotiation with a good representation of employees across the workforce has commenced ahead of the expiry of Busselton Water's Enterprise Agreement on 30 June 2017.

Diversity and Equal Employment Opportunity

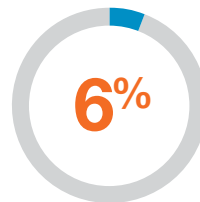
Busselton Water recruits a diverse workforce and promotes an inclusive work culture. In 2016-17 our female workforce increased by 40% to 43% of our total workforce. Six per cent of our workforce is from a culturally diverse background and six per cent identify as Aboriginal.

Busselton Water is committed to implementing the strategies within our Equal Employment Opportunity (EEO) Plan and achieving its four outcomes:

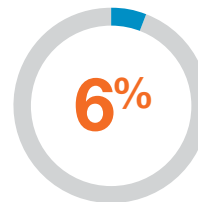
- Busselton Water values EEO and diversity and the work environment is free from sexual and racial harassment.
- Busselton Water is free from employment practices that are biased or discriminate unlawfully against employees or potential employees.
- Employment programs and practices at Busselton Water recognise and include strategies for EEO groups to achieve workplace diversity.
- Busselton Water maintains a relevant and achievable EEO Management Plan through communication, review, amendment and evaluation.



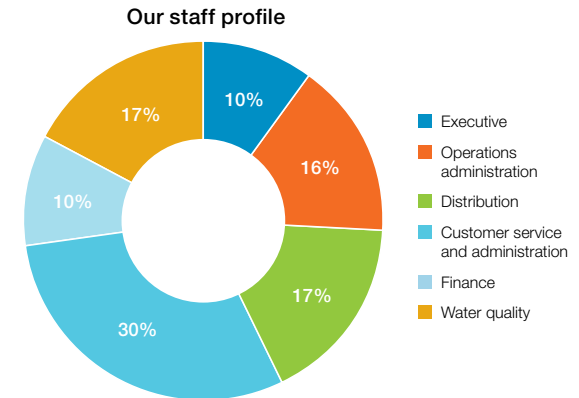
FEMALE
WORKFORCE



WORKFORCE FROM
A CULTURALLY DIVERSE
BACKGROUND



ABORIGINAL
WORKFORCE



Steve celebrates four decades on the job



Busselton Water Team Leader, Steve Rickwood, celebrated 40 years of service with the corporation in 2016.

Starting his career with Busselton Water as a general hand in 1976, Steve's first job was to scalp iron off the top of the exposed filters using scrapers and shovels. Today, he heads the operations group responsible for water quality treatment.

Steve has seen huge changes in the water industry during his career, not the least of which was the shift from manual operation of the pumps many years ago to being able to operate the state-of-the-art automated system from remote locations today.

Backed by a strong commitment to training its people and striving to be an employer of choice, Busselton Water is proud to note that more than half of the team has worked for the corporation for more than five years.

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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.

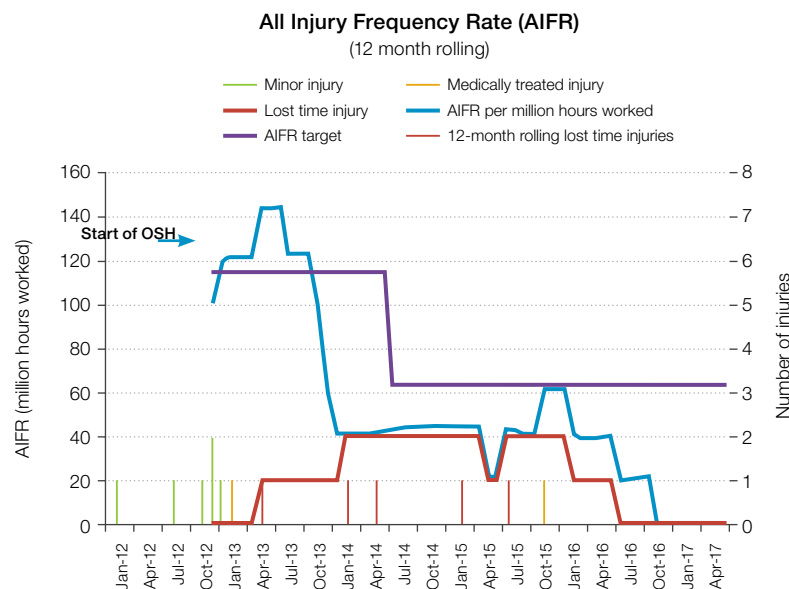
The Board and management regard compliance with legislation as the minimum standard and are committed to best practice safety performance in all operations.

The continuing use of an action plan, developed in 2013, to address self-identified gaps in our Occupational Health and Safety Plan has driven dramatic improvements and clearly reflects Busselton Water's commitment to safety.

Our uncompromising focus on safety resulted in the reduction of our All Injury Frequency Rate (AIFR) to zero in November 2016. The AIFR is the number of work related injuries or disease for every million hours worked and recorded on a 12-month rolling basis.

Further improvements to occupational safety and health processes saw Busselton Water introduce an enhanced lone worker management and monitoring

system. It gives real-time locations for lone workers, as well as alerts for expired sessions, man down and panic instances, providing continuous cover for staff.



Recognition of safety excellence



Busselton Water was proud to take home two prestigious industry awards from the 2016 IFAP/CGU Safeway Awards, having nominated for the first time, in the Safety Management System and Lost Time Injury Free categories.

We were awarded the esteemed IFAP/CGU Safe Way Gold Achievement Award from the Industrial Foundation for Accident Prevention in recognition of our outstanding safety record and progress towards best practice in safety and health management, and also received a Lost Time Injury Free achievement for a six-month period across all three work groups.

Chief Executive Officer Chris Elliott accepted the awards on behalf of the Busselton Water team at a gala dinner in Perth.

STRATEGIC PRIORITY: Customers and other stakeholders

We are committed to analysing our customer and other stakeholder requirements and to use this knowledge to manage these relationships to deliver increasing value.

Customer Advisory Group

The Customer Advisory Group was formed in October 2013 and meets twice a year. The group represents residential customers, business owners, educators, professionals and community service providers.

It works closely with our Board and executive team and plays a key role in helping to shape the corporation's future plans, enabling Busselton Water to stay in close touch with the changing needs of our community.

The group met for two full days in November 2016 and May 2017, with a thought-provoking program that included field trips, prominent guest speakers, presentations, workshops and lively discussion.



Brand development

Busselton Water continued to refine and improve its range of stakeholder information and materials during the year, including its *Watersource* newsletter, business cards and other stationery, advertisements and waterwise materials. The updates have assisted customers with their awareness and understanding

of, and ease of interaction with, the corporation.

Busselton Water's invoices now also include a space for promoting important customer messages. The October invoice promoted our summer waterwise campaign and, in February, our customer survey.

Customer service and satisfaction

Busselton Water continues to improve its services to customers and a number of new initiatives were introduced in 2016-17:

Hardship Utility Grant Scheme (HUGS)

The Western Australian Government online portal, HUGS, allows Busselton Water to apply for a HUGS Grant on behalf of eligible customers experiencing financial hardship in paying their water bill. Customers may also be referred to a free financial counselling service for further support.

Customer Relationship Management System

Our new Customer Relationship Management System was implemented in 2016-17. This module – which is responsible for managing Busselton Water's call centre activity – is integrated with our customer and property information system and ensures that all customer contacts are accurately recorded and classified. Graphical reporting capabilities allow management to monitor the type of enquires received from customers, with an additional 'drill-down' facility available.



Digital strategy

Busselton Water's digital strategy commenced implementation in 2016-17, with significant progress in social media and the revitalisation of the Busselton Water website. The digital strategy delivers significant benefits associated with the use of digital communications, and in particular social media. Its objectives are to:

- modernise and improve Busselton Water's approach to digital communications;
- grow the number of channels in which Busselton Water can inform and engage with stakeholders;
- enhance the value of community partnerships through online interaction and promotion;
- improve customer reach and, therefore, outcomes of Busselton Water's water efficiency program;

- position Busselton Water as a leader in water management and customer service across online channels; and
- establish faster and more cost effective channels for customer communication.

Facebook

Busselton Water's Facebook page went live in February 2017, marking the organisation's first foray into social media and creating a new channel through which to communicate and interact with customers and drive traffic to the website.

Since establishing the page, the strong focus has been building likes/fans and delivering posts that are engaging and grow organic reach. We have 'tested' different post 'types', and more recently, we started to 'boost' posts to ensure we deliver social engagement that represents value for money and drives Busselton Water social media reach and engagement moving forward.

Posts have been a mix of content and style, including but not limited to: waterwise tips, waterwise businesses, staff snapshots, general office information (e.g. opening hours), community events and relevant community organisation posts (shared), national and international 'days' of relevance, calls to action (e.g. survey),

water industry information, and scheduled maintenance.

A 'How You Can Help' document was developed to facilitate Board, staff and Community Advisory Group member involvement in generating relevant local content for the page.

Website

A major upgrade to our website was commenced in 2017. The revitalised site will serve as the centrepiece of all digital communications activities, being the main 'shopfront' and the primary channel through which the organisation will engage with its customers and stakeholders. The new user-friendly website will:

- facilitate regular, proactive communications with customers and other stakeholder;
- provide a gateway for e-commerce to improve customer service and increase business efficiencies;
- support the development of the Busselton Water brand, including customer understanding of the role and services provided by the corporation; and
- support delivery of educational materials and promotions e.g. waterwise campaigns.

Web portal

Busselton Water has commenced work with its system provider on the development of a 'my account' web portal for customers.

Expanded payment channels

A contract was negotiated with Australia Post to offer across-the-counter payment options at any post office in Australia from 2017-18.

Customer survey

As part of its strategic planning process and commitment to ongoing improvement, Busselton Water is committed to gathering customer intelligence and insights and measuring its performance through the implementation of a customer survey.

In late 2016, all Busselton Water customers were invited to participate in the survey, which was widely promoted and open for eight weeks between February and April 2017. More than 320 customers responded to the survey, the majority completing it online.

Results of the survey provided feedback and opportunities for improvement across a range of areas, including our interaction with customers, communications about outages, real time water use information, on-line business improvements and future campaigns.

Review of the Water Services Code of Conduct (Customer Service Standards) 2013

The Water Services Code of Conduct regulates the conduct of water licensees in dealing with customers, and sets service standards in areas such as billing, payment, connection, metering, financial hardship and complaints. The Code has been operating since November 2013.

The Economic Regulation Authority (ERA) is required to review the operation and effectiveness of the Code of Conduct at least once every five years.

The ERA review commenced in 2016-17 and is to be completed and gazetted in late 2017, ready to come into force on 1 July 2018. The timeframe allows for maximum input from stakeholders and ensures the most robust review possible before introducing legislative changes.

The ERA has established a Water Code Consultative Committee to review the Code with membership comprising representatives of industry, consumer organisations and government.

Some of the positive actions from the review for customers include the display of additional information on invoices, such as future water volume step charges, which was introduced by Busselton Water in 2017.

Water loss detection

Busselton Water's radio frequency (RF) meters can detect continuous water flow greater than two litres per hour. Such a flow could be caused by something as minor as a leaky tap washer, toilet cistern, hot water system or a tap left running overnight – or may be the first indication of a hidden leak on a property.



Detection of possible water loss can be identified when the meters are read as part of the billing cycle, currently every four months. During the reporting period, approximately 500 letters were issued to customers per billing cycle to advise of a potential leak.

Land development and project delivery

The pace of land development requiring water services slowed during the year. The annual number of new services was 310, a slight decrease on 2016 at 331.

Vasse Taskforce

In 2016-17 Busselton Water again participated as an active member of the Vasse Taskforce, which was established to improve the management and health of key water assets in the Geographe Catchment.

Busselton Water contributed to a wide variety of projects within the *Revitalising Geographe Waterways* strategy adopted by the Taskforce, particularly within the *Rethinking Drainage* stream where Busselton Water led and completed the Transition Framework Pilot Trial and the Long Term Asset Manager projects.

STRATEGIC PRIORITY: Process management, improvement and innovation

We are committed to encouraging process innovation and improvement to deliver value to our stakeholders.

Water quality

Busselton Water's supply to customers continues to achieve 100 per cent compliance with the Australian Drinking Water Guidelines (2004) and our Memorandum of Understanding (MoU) with the Department of Health, which was amended and extended to 30 June 2017.

Our water is sourced from eight bores constructed in the Yarragadee and Leederville aquifers, which are located within the Busselton/Capel groundwater area. In 2016-17, 5.15GL of groundwater was extracted and 5.0GL of drinking water produced.

We have three water treatment plants, five storage tanks and 322 kilometres of distribution mains. The raw groundwater generally has turbidity and iron concentrations, 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.

During 2016-17, Busselton Water addressed refurbishments, upgrades and maintenances in the three plants, resulting in the water treatment system being fully available and reliable.

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 optimised the monitoring points and completed a comprehensive water sampling program, achieving full compliance with both health and non-health related water quality parameters in the Australian Drinking Water Guidelines. All groundwater licence conditions and requirements were also met.



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Working with the Department of Health

Busselton Water continued to meet all the requirements of our MoU with the Department of Health in 2016-17. 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 have been implementing Regulation updates, and Busselton Water is ready to work with the Department of Health towards full implementation of the Australian Drinking Water Guidelines (2011).

During the year, we revised and updated our Drinking Water Safety Plan. The plan is a requirement of our MoU with the Department of Health. It outlines our existing alignment with the Australian Drinking Water Guidelines and identifies opportunities for improvement, through our Improvement Action Plan. A multi-disciplinary hazard identification and risk review session is periodically undertaken to review and update our operations risk assessments as part of the Drinking Water Safety Plan execution.

In 2016-17 there were 15 water quality complaints received. Twelve complaints related to taste and odour and three to discoloured water.

Reduced leakage

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.

This program included:

- detecting leaking customer plumbing through the analysis of customer's 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.

Program delivery

A \$1.6 million capital works program was delivered in 2016-17, including completion of the final stage of the trunk main duplication via Rendezvous Road to Vasse. This ensures continuity of supply to customers in Vasse, a fast growing area of Busselton.



Item	2016-17 actual
New trunk mains	\$247,846
Mains replacement	\$251,131
New/replace infrastructure	\$467,548
Land, building and offices	\$86,020
New service connections	\$350,464
Meter replacements	\$35,595
Vehicle and mobile plant replacements	\$2,880
Information, communication and technology	\$141,083
Total	\$1,633,428

The upgraded SCADA system was successfully commissioned – fit for purpose – to all the plants in conjunction with our virtual private network upgrades. This allows enhanced and greater autonomy of communications to manage, monitor, and control the water treatment system.



The installation of new Remote Telemetry Units (RTUs) data acquisition loggers to monitor pressure and flow in the distribution network was undertaken during 2016-17. Busselton Water has four data loggers installed at strategic points in the system (Caves, Kookaburra, Vasse and Wonnerup). These loggers are highly versatile and are battery powered with remote SMS/GPRS telemetry providing rapid data transmission, enabling data to be retrieved more frequently for analysis and response.

Plant operations

Busselton Water operates an interconnected system of deep aquifer bores, water treatment plants, water storage facilities and pumping stations, and a reticulation network of underground pipes, to provide potable water that meets Australian Drinking Water Guidelines.

All three treatment plants operated normally during the year. A total of 5.0GL of drinking water was supplied to customers. This was similar to the quantity supplied in 2016, and slightly less than the quantity supplied in 2015.

Mobile technology and automated work flows

Busselton Water has commenced work to upgrade its integrated Asset Management System to implement fully automated works planning and scheduling applications.

This will enable the supervisor to create, view, and allocate jobs electronically, allowing immediate overview of total individual and team workloads. It is expected that the efficiency improvements in work order management will be cost beneficial and increase productivity.



Asset management

As a requirement of the *Water Services Act 2012* and our Water Services Licence issued by the Economic Regulation Authority (ERA), Busselton Water must undergo an Operational Audit and Asset Management System Review by an independent expert every three years.

The 2016 Operational Audit and Asset Management System Review concluded that: *"Busselton Water is consistently achieving or exceeding the standards required of its various licences and agreements related to groundwater extraction, management, treatment, storage and delivery of a safe potable water supply."*



Since those reviews, from which reports were received in July 2016, all recommendations were addressed in 2017-18 through the development of a Post Audit/Review Implementation Plan (PARIP). All recommendations in the PARIP were completed by January 2017 to the satisfaction of the ERA.

Also this year:

- the Strategic Asset Plan (SAP) was finalised and submitted to Treasury;
- Geographic information systems (GIS) were updated with the latest (October 2016) aerial photography and data to support Dial Before You Dig and other location services; and
- leak search survey maps were produced, showing the location and size of leaks recorded over the past four years.

STRATEGIC PRIORITY: Results and sustainable performance

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

Delivering reporting requirements

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 ERA on our compliance with performance standards set out in our operating licence.

The Key Business Results section of this report shows 2016-17 results under the headings Financial Performance, Business Performance and Management Trends. These results show targets being met at a consistently high level without any significant variances.



Best practice top 20 small agency

For the second year in a row, Busselton Water was named in the Auditor General's Audit Results Report for 2015-16 Financial Audits as one of the WA Government's top 20 small 'best practice agencies' for financial reporting.

The Office of the Auditor General rates agencies on their financial reporting and financial controls against the following assessment criteria:

- 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.

STRATEGIC PRIORITY: Growth

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

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.

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

In 2016-17, Busselton Water continued to progress opportunities to expand and improve our business and deliver even better service to the community by addressing emerging local water issues and challenges.

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

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.

In line with these expectations, demand for water in Busselton and Dunsborough is expected to more than double, from five billion litres to more than 10 billion litres per annum by 2060. This is the key finding from Busselton Water's 50-year water demand forecast prepared in 2014-15.

There were 299 new properties connected to the Busselton Water network in 2016-17, an increase of 2.3 per cent, to bring the total connections to 13,174. This growth is not directly reflected in water usage, with water consumption in 2016-17 reaching 5.0GL, down 3.2 per cent on last year due to climate impacts. The average volume of household water use reduced by 14kL from 288kL to 274kL per year.



Growth business case

During the year, Busselton Water completed a detailed business case to support a growth proposal with potential to deliver significant local 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. Following a Government review, the proposal did not proceed.

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.

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.

In the case of nomination for appointment to the Board the nominee is a person ordinarily resident in the operating area of Busselton Water so far as is necessary for the majority of the directors, at the time of the appointment, to be persons so resident.

Directors are appointed for a term of three years and are eligible for reappointment. 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 a director of Busselton Water to be Chairperson and another to be Deputy Chairperson of the Board.

Changes to the Board

There were no changes to Busselton Water's Board in 2016-17.

Accountability and independence

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

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

Ministerial approval is required for transactions that are above a prescribed amount, amount to a major initiative or is likely to be of significant public interest.

Ethical standards

The Board Charter describes how the Board discharges its functions, roles and responsibilities as defined in the *Water Corporations Act 1995*.

The Board has adopted the Code of Conduct for directors produced by the Australian Institute of Company Directors, and Busselton Water's Code of Conduct.

Busselton Water's Code of Conduct is reviewed annually followed by staff training sessions. A report on the observance of the Code of Conduct is provided to the Minister for Water annually, with a copy of the report provided to the Public Sector Commission.

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 interest's conflict with Busselton Water duties.

Board performance

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.

Governance framework

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

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

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

CORPORATE GOVERNANCE REPORT

The Board also prepares a Strategic Asset Plan that identifies the top priority investment proposals and their strategic justification.

At monthly meetings, the Board monitors financial and operational performance through comprehensive monthly reporting. They consider progress towards our vision in each of the strategic priority areas, i.e. Leadership; Strategy and Planning; Information and Knowledge; People; Customers and Other Stakeholders; Process Management, Improvement and Innovation; Results and Sustainable Performance; and Growth.

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

Audit Committee

The Audit Committee was 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 from the Chief Executive Officer, Chief Finance Officer and Senior Executive Group members. External attendees during the year included internal auditors.

Teleconference 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.

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.

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.

Ministerial directions

Under Section 64(1) of the *Water Corporations Act 1995* the Minister for Water may give directions in writing to Busselton Water generally with respect to the performance of its functions and, and subject to Section 65, Busselton Water is to give effect to any such direction. During the reporting period no directions were received from the Minister for Water.

CORPORATE GOVERNANCE REPORT

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. It describes how records are created, maintained, managed and disposed of in accordance with Standards and Principles.

A review of the efficiency and effectiveness of our training program was carried out during the reporting period. After the review, annual refresher training on record keeping was provided to all staff. Training is also provided for new employees and includes familiarisation with the document management policy and procedures.

We are working with our record keeping partner on creating statistical information that can be used for monthly reporting.

Public interest disclosure statement

The *Public Interest Disclosures Act 2003* facilitates the disclosure of public interest information, and provides protection for those making such disclosures and those who are the subject of disclosures.

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

There were no public interest disclosures during the reporting period.

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 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

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

Total expenditure in 2016-17 was \$62,082.

Expenditure was incurred in the following areas:

Expenditure	Amount paid
Media advertising organisations	
Rural Press Regional Media	\$14,447
Marketforce Productions	\$18,900
Advertising agencies	Nil
Direct mail organisations	
Zipform	\$5,769
Quickmail	\$9,976
Market research organisations	
Mills Wilson	\$12,990
Polling organisations	Nil

Directors' report

The Directors of Busselton Water present their report for the 12-month period ending 30 June 2017.

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	12	12		
Paul Carter	12	11	3	3
Christopher Boulton	12	12	3	3
Matthew Walker	12	11		
William Angus Smith	12	12	3	3
Geoffery Oddy	12	12		

Board meetings are held monthly. There was a Special Board meeting held in July 2016 and no meeting held in December 2016. 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 2017	Year ended 30 June 2016
Christopher Elliott	Chief Executive Officer	✓	✓
Robin Belford	General Manager Operations	✓	✓
Diane Depiazz	Acting 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 acquire, store, treat, distribute and supply drinking water to the Busselton area. In addition, we undertake, maintain and operate any works, system, facilities apparatus or equipment required for this purposes. We provide these services under this Act and subsidiary legislation which control the water industry.

There has been no significant change in the nature of our activities during the reporting period.

Operating results

During the year, Busselton Water supplied 5.0GL of drinking water.

Busselton Water made a profit before tax of \$3.3 million in 2016-17, (2015-16: \$4.6 million) and an after tax profit of \$2.1 million (2015-16: \$3.1 million).

Dividends

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

Date of	Amount \$M	Date of payment
Final 2015-16	1.5	22/12/2016

CORPORATE GOVERNANCE REPORT

Dividends declared after end of year

After the balance sheet date, the Directors have proposed a final dividend of \$1.4 million for the 2016-17 year, payable on or before 31 December 2017.

The financial impact of the dividend has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent reports.

Review of operations

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

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 2016-17.

Remuneration report

Directors' remuneration

Remuneration of the Board of Directors is determined by the Minister on the recommendation of the Public Sector Commissioner.

Total remuneration band	No. of Directors ¹		Short-term remuneration		TBR ³		Post-employment superannuation		Other long-term benefits ⁴		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
\$			\$'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 rewards scheme

⁴ Other long-term benefits refer to leave provisions

Executive remuneration

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 Senior Officers ¹		Short-term remuneration		TBR ³		Post-employment superannuation		Other long-term benefits ⁴		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
\$			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
50,001-100,000		1		93				9		(6)		96
100,000-150,000		1		125				12		6		143
150,001-200,000	1		140				13		(2)		152	
200,001-250,000	1	1	188	181			16	16	(2)	6	202	202
250,001-300,000	1		254		32		22		(9)		298	
300,001-350,000		1		251		21		22		13		306

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

² Includes base remuneration and non-monetary benefits

³ Target-based rewards scheme

⁴ Other long-term benefits refer to leave provisions

CORPORATE GOVERNANCE REPORT

Environmental performance

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

Under the Environmental Protection Act, we are registered to 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 in the state of affairs during the year ended 30 June 2017 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 2017 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.

Directors' interest and benefits

In the 12 months to 30 June 2017, no Director 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 months ending 30 June 2017, 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 ended 30 June 2017, Busselton Water paid insurance premiums in respect of Director's and Officer's liability insurance for any past, present or future, 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, 16 August 2017



FINANCIAL REPORT

for the year ended 30 June 2017

FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

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DIRECTORS' DECLARATION

In the opinion of the Directors of Busselton Water Corporation:

- (a) the financial statements and notes are in accordance with the *Water Corporations Act 1995*, including:
 - (i) giving a true and fair view of Busselton Water's financial position as at 30 June 2017 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: 16 August 2017



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

BUSSELTON WATER CORPORATION

Opinion

I have audited the financial report of Busselton Water Corporation (the Corporation), which comprises the Statement of Financial Position as at 30 June 2017, 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, and the directors' declaration.

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

- (a) giving a true and fair view of the Corporation's financial position as at 30 June 2017 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Busselton Water Corporation in accordance with the Auditor General Act 2006 and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Directors for the Financial Report

The directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and schedule 3 of the Water Corporations Act 1995. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Busselton Water Corporation for the year ended 30 June 2017 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 these financial report. If users of the financial report are concerned with the inherent risks arising from publication on 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.

DON CUNNINGHAME
ACTING DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
17 August 2017

FINANCIAL REPORT

Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
INCOME			
Revenue			
Water Sales Revenue	6	9,119,428	9,196,520
Operating Subsidy Contributions	7	527,192	492,067
Developer Contributions - Headworks	8	1,726,711	1,925,397
Developer Contributions - Mains	8	268,438	926,109
Interest Revenue	9	333,609	389,680
Other Revenue	10	272,870	332,456
TOTAL INCOME		12,248,247	13,262,230
EXPENSES			
Cost of Sales	11	3,176,764	3,292,246
Depreciation Expense	12	2,447,499	1,963,815
Administration Expenses	13	2,060,005	2,024,661
Finance Costs	14	80,337	91,703
Other Expenses	15	1,213,567	1,216,556
Loss on Disposal of Non-current Assets	16	-	14,368
Impairment of Non-current Assets	23	-	32,174
TOTAL EXPENSES		8,978,172	8,635,523
Profit before income tax equivalent expense		3,270,075	4,626,707
Income Tax Equivalent Expense	30	(1,176,685)	(1,526,632)
Profit after income tax equivalent expense		2,093,390	3,100,075
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	28	136,389	2,790,272
Total Other Comprehensive Income		136,389	2,790,272
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,229,779	5,890,347

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

FINANCIAL REPORT

Statement of Financial Position as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash & Cash Equivalents	17	1,404,806	900,068
Other Financial Assets	18	11,150,000	11,150,000
Receivables	19	2,758,382	3,063,779
Inventories		473,456	414,756
Prepayments		45,394	42,501
Current Tax Assets		277,281	8,383
Total Current Assets		16,109,319	15,579,486
Non-Current Assets			
Property, Plant and Equipment	20	71,034,300	71,648,098
Intangible Assets	22	258,239	243,289
Total Non-Current Assets		71,292,540	71,891,387
TOTAL ASSETS		87,401,859	87,470,873
LIABILITIES			
Current Liabilities			
Payables	24	1,187,921	1,659,318
Borrowings	25	268,698	256,838
Provisions	26	877,002	840,693
Other Current Liabilities	27	65,462	53,053
Total Current Liabilities		2,399,084	2,809,902
Non-Current Liabilities			
Provisions	26	51,243	69,993
Borrowings	25	1,122,903	1,391,601
Deferred Tax Liabilities	30	12,742,292	12,879,078
Total Non-Current Liabilities		13,916,437	14,340,672
TOTAL LIABILITIES		16,315,521	17,150,574
NET ASSETS		71,086,338	70,320,300
EQUITY			
	28		
Reserve Fund		11,858,009	11,074,741
Reserves		33,690,532	33,554,143
Retained Earnings		25,537,797	25,691,415
TOTAL EQUITY		71,086,338	70,320,300

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 2017

	Notes	Reserves \$	Retained Earnings \$	Total Equity \$
Balance as at 1 July 2015	28	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
Balance as at 1 July 2016		44,628,884	25,691,415	70,320,300
Total comprehensive income for the year		136,389	2,093,390	2,229,779
Transfers to reserves		2,074,925	(2,074,925)	-
Transfers from Reserves		(1,291,657)	1,291,657	-
Transactions with owners, recorded directly in equity				
Dividends paid		-	(1,463,741)	(1,463,741)
Total transactions with owners		-	(1,463,741)	(1,463,741)
Balance at 30 June 2017		45,548,541	25,537,797	71,086,338

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 2017

	Notes	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from Rates & Water Sales		9,258,293	9,743,692
Interest Received		316,274	404,879
Developers Contributions		1,779,925	2,003,340
GST Receipts on Sales		27,898	21,010
GST Receipts From Taxation Authority		540,921	608,714
Other Receipts		392,698	333,572
		12,316,009	13,115,208
Payments			
Payment to Suppliers & Employees		(6,952,647)	(6,055,332)
Finance Costs		(80,337)	(91,703)
GST Payments on Purchases		(505,492)	(624,004)
NET CASH PROVIDED BY OPERATING ACTIVITIES	29	4,777,533	6,344,169
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the Sale of Non-Current Physical Assets		-	87,273
Purchase of Non-Current Physical Assets		(1,633,428)	(3,786,340)
NET CASH USED IN INVESTING ACTIVITIES		(1,633,428)	(3,699,066)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(256,838)	(245,501)
NET CASH PROVIDED BY FINANCING ACTIVITIES		(256,838)	(245,501)
CASH FLOWS TO STATE GOVERNMENT			
Operating Subsidy Contributions		527,192	492,067
Taxation Equivalent		(1,445,980)	(1,759,302)
Dividends Paid		(1,463,741)	(1,435,170)
NET CASH PROVIDED TO STATE GOVERNMENT		(2,382,529)	(2,702,405)
Net increase / (decrease) in cash and cash equivalents		504,738	(302,803)
Cash and cash equivalents at the beginning of period		12,050,068	12,352,870
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	29	12,554,806	12,050,068

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

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Notes to the Financial Statements for the year ended 30 June 2017

Note 1 Australian Accounting Standards

General

Busselton Water's financial statements for the year ended 30 June 2017 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

Early Adoption of Standards

There has been no early adoption of any other Australian Accounting Standards that have been issued or amended (but not operative) by Busselton Water for the annual reporting period ended 30 June 2017.

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*, Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the 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. In August 2014 this licence area was expanded to cover the Busselton-Capel and Blackwood groundwater areas including a two kilometre offshore zone.

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.

(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 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

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2017

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 75% 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 with the change in the gross carrying amount of the asset. 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.

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.

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Notes to the Financial Statements for the year ended 30 June 2017

(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.

(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.

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Notes to the Financial Statements for the year ended 30 June 2017

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".

Superannuation

Busselton Water's default fund for defined contribution plans is WA Super. Employees have the option of electing the default plan or another plan of choice. The majority of Busselton Water employees have plans with the default fund. The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

Provisions - Other

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of Busselton Water's 'Administration Costs'. The related liability is included in 'Employment on-costs provision'.

(t) Joint Operations

Busselton Water has interests in joint arrangements that are joint operations. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A joint operation involves the use of assets and other resources of the venturers rather than the establishment of a separate entity. Busselton

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Notes to the Financial Statements for the year ended 30 June 2017

Water recognises its interests in the joint operations by recognising the assets it controls and the liabilities that it incurs in respect of the joint arrangements. 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 reporting period.

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 reporting period.

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.

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Notes to the Financial Statements for the year ended 30 June 2017

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 2016 that impacted on Busselton Water.

AASB 1057	<i>Application of Australian Accounting Standards</i> This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.
AASB 2014-3	<i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]</i> 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.
AASB 2014-4	<i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]</i> 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.
AASB 2015-1	<i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7 11, 110, 119, 121, 133, 134, 137 & 140]</i> These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012-2014 Cycle in September 2014, and editorial corrections. Busselton Water has determined that the application of the Standard has no financial impact.
AASB 2015-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]</i> This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.
AASB 2015-6	<i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 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.

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Notes to the Financial Statements for the year ended 30 June 2017

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	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>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.</p>	1 Jan 2018
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>This Standard establishes the principles that Busselton Water shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Busselton Water has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2019
AASB 16	<p><i>Leases</i></p> <p>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.</p>	1 Jan 2019
AASB 1058	<p><i>Income of Not-for-Profit Entities</i></p> <p>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, or a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. Busselton Water has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2019
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 2014-5	<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

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Notes to the Financial Statements for the year ended 30 June 2017

		Operative for reporting periods beginning on/after
AASB 2014-7	<p>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</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 2015-8	<p>Amendments to Australian Accounting Standards -Effective Date of AASB 15</p> <p>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.</p> <p>For Not-For-Profit entities, the mandatory effective date has been subsequently been amended to 1 January 2019 by AASB 2016-7. Busselton Water has not yet determined the application or the potential impact of AASB 15.</p>	1 Jan 2019
AASB 2016-1	<p>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]</p> <p>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.</p>	1 Jan 2017
AASB 2016-2	<p>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</p> <p>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.</p>	1 Jan 2017
AASB 2016-3	<p>Amendments to Australian Accounting Standards – Clarifications to AASB 15</p> <p>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.</p>	1 Jan 2018
AASB 2016-4	<p>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</p> <p>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.</p>	1 Jan 2017
AASB 2016-7	<p>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</p> <p>This Standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018. There is no financial impact.</p>	1 Jan 2017
AASB 2016-8	<p>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit-Entities</p> <p>This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.</p>	1 Jan 2019
AASB 2017-2	<p>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</p> <p>This Standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.</p>	1 Jan 2017

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Notes to the Financial Statements for the year ended 30 June 2017

Note 6 Water Sales Revenue

	2017 \$	2016 \$
Water Consumption	5,727,966	5,877,698
Connection Fees	369,668	487,351
Standard Supply Charge	2,945,488	2,754,417
Meter Reading Charges	30,873	35,818
Other Water Sales	45,433	41,237
	9,119,428	9,196,520

Note 7 Operating Subsidy Contributions

	2017 \$	2016 \$
Operating Subsidy Contributions	527,192	492,067
	527,192	492,067

Note 8 Developer Contributions

	2017 \$	2016 \$
Headworks contributions - Cash	1,726,711	1,925,397
	1,726,711	1,925,397
Developer mains contributions - Cash	53,215	77,943
Developer mains contributions - Non-Cash	215,223	848,166
	268,438	926,109

Note 9 Interest Revenue

	2017 \$	2016 \$
Busselton Water invested excess funds and received the following interest:		
Interest on Water Fund	50,803	59,254
Interest on Reserves	282,806	330,426
	333,609	389,680

Note 10 Other Revenue

	2017 \$	2016 \$
Backflow Prevention Device Testing Fees	25,546	28,440
Private Works & Sundry Income	22,407	20,640
Operating lease revenue	12,950	11,877
Meter Reading	53,975	54,591
Other Receipts & Services	157,992	216,908
	272,870	332,456

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

Minimum lease revenue as follows:		
Within 1 year	20,743	12,293
Later than 1 year and not later than 5 years	89,063	53,626
Later than 5 years	23,862	14,600
	133,668	80,519

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Notes to the Financial Statements for the year ended 30 June 2017

Note 11 Cost of Sales

	2017 \$	2016 \$
Pumping	655,360	706,641
Maintenance: General Production Plant	1,175,196	1,153,986
Mains & Meters	769,769	792,358
Net Vehicle Running Expenses	53,698	46,174
Net Operations Overhead	62,994	25,935
Net Stock Allocated	(11,356)	10,625
Meter Reading Costs	19,963	19,619
Water Sampling & Monitoring Fees	451,141	536,908
	3,176,764	3,292,246

Note 12 Depreciation Expense

	2017 \$	2016 \$
Freehold Land Improvements	59,314	36,161
Plant, Machinery and Buildings	1,001,079	685,470
Motor Vehicles	66,844	76,801
Mains and Services	799,564	681,948
Meters	430,561	393,208
Tools	2,549	3,071
Office Equipment	87,588	87,157
	2,447,499	1,963,815

Note 13 Administration Expenses

	2017 \$	2016 \$
Salaries	1,146,061	1,123,366
Salary on Costs & Staff Expenses	137,506	131,139
Office Expenses	632,645	633,096
Stationery & Printing	27,601	26,707
Advertising	-	800
Bank Charges	21,679	22,192
Audit Fees	62,973	70,439
Legal Expenses	380	655
Other Administration Expenses	31,160	15,349
Bad Debts Written Off	-	917
	2,060,005	2,024,661

Note 14 Finance Costs

	2017 \$	2016 \$
Loan Guarantee Fee	9,861	9,888
Interest Expense	70,476	81,814
	80,337	91,703

Note 15 Other Expenses

	2017 \$	2016 \$
Members Expenses	121,260	120,327
Other Governance	215,559	179,167
Pensioner Rate Rebate	516,343	482,988
Consulting Fees	175,843	111,103
Private Works	20,586	39,685
Other Costs & Staff Expenses	163,976	264,650
Sundry Expenditure	-	18,636
	1,213,567	1,216,556

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Notes to the Financial Statements for the year ended 30 June 2017

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

	2017 \$	2016 \$
<u>Cost of Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	-	(101,642)
<u>Proceeds from Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	-	87,273
Net (loss)	-	(14,368)

Note 17 Cash and Cash Equivalents

	2017 \$	2016 \$
<u>Water Fund Cheque Account (at 1.4% as at 30.06.2017)</u>		
The Corporation has an overdraft limit of \$15,000 on this account.	743,706	348,968
<u>24 Hour Cash Call Account (at 1.4% as at 30.06.2017)</u>	660,000	550,000
<u>Cash on Hand</u>	1,100	1,100
	1,404,806	900,068

Note 18 Other Financial Assets

	2017 \$	2016 \$
<u>Fixed Term Deposits Held to Maturity</u>		
Reserve Investments: (at 2.69% average)	10,450,000	10,800,000
Water Fund Investments: (at 2.60% average)	700,000	350,000
	11,150,000	11,150,000

Note 19 Receivables

	2017 \$	2016 \$
Includes all amounts due to Busselton Water from operations.		
Rates/Std Supply Charge Debtors	667,460	669,457
Excess Water/Consumption Debtors	1,708,302	1,839,651
Deferred Rates/Charges	5,030	5,784
Late Payment Penalty	4,894	5,525
Fire Services	10,966	10,875
Settlement Reading Fees	5,652	7,150
Miscellaneous Fees	2,382	5,182
Sundry Debtors	77,172	118,565
GST (Net Receivable from ATO)	57,838	121,165
Miscellaneous Debtors	218,688	280,425
	2,758,382	3,063,779

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.

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Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Property, Plant and Equipment

	2017 \$	2016 \$
Land at Fair Value	4,330,000	4,330,000
Capital Works in Progress	297,002	802,744
Freehold Land Improvements at Fair Value	759,699	680,310
Accumulated Depreciation	(59,314)	-
	700,385	680,310
Plant & Machinery at Fair Value	14,197,549	13,226,776
Accumulated Depreciation	(892,028)	(13,258)
	13,305,521	13,213,518
Buildings at Fair Value	2,538,385	2,496,576
Accumulated Depreciation	(122,309)	-
	2,416,076	2,496,576
Motor Vehicles at Fair Value	736,157	733,277
Accumulated Depreciation	(67,020)	(176)
	669,138	733,101
Mains and Services at Fair Value	45,617,349	44,861,129
Accumulated Depreciation	(803,231)	(3,667)
	44,814,119	44,857,462
Meters at Fair Value	4,691,677	4,305,618
Accumulated Depreciation	(430,561)	-
	4,261,116	4,305,618
Tools at Fair Value	35,750	35,750
Accumulated Depreciation	(7,387)	(4,838)
	28,363	30,912
Office Equipment & Furniture at Fair Value	234,149	200,954
Accumulated Depreciation	(21,568)	(3,097)
	212,581	197,856
TOTAL PROPERTY, PLANT AND EQUIPMENT	71,034,300	71,648,098

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Notes to the Financial Statements for the year ended 30 June 2017

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
2017								
Land at Fair Value	4,330,000							4,330,000
Freehold Land Improvements	680,310	58,170	21,219		(59,314)			700,385
Capital Works in Progress	802,744	168,542	(674,284)					297,002
Plant & Machinery	13,213,518	337,632	633,141		(878,770)			13,305,521
Buildings	2,496,576	27,849	13,960		(122,309)			2,416,076
Motor Vehicles	733,101	2,880			(66,844)			669,138
Mains & Services	44,857,462	750,257	5,964		(799,564)			44,814,119
Meters	4,305,618	386,058			(430,561)			4,261,116
Tools	30,912				(2,549)			28,363
Office Equipment	197,856	33,195			(18,471)			212,581
	71,648,098	1,764,584	-	-	(2,378,382)	-	-	71,034,300

	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

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Notes to the Financial Statements for the year ended 30 June 2017

Note 21 Fair Value Measurements

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair value At end of period	Assets measured at fair value:	Level 1	Level 2	Level 3	Fair value At end of period
2017	\$	\$	\$	\$	2016	\$	\$	\$	\$
Land at Fair Value		1,680,000	2,650,000	4,330,000	Land at Fair Value		1,680,000	2,650,000	4,330,000
Freehold Land Improvements		29,719	670,667	700,385	Freehold Land Improvements		1,500	678,810	680,310
Plant & Machinery			13,305,521	13,305,521	Plant & Machinery			13,213,518	13,213,518
Buildings		918,716	1,497,360	2,416,076	Buildings		920,776	1,575,800	2,496,576
Motor Vehicles		669,138		669,138	Motor Vehicles		733,101		733,101
Mains & Services			44,814,119	44,814,119	Mains & Services			44,857,462	44,857,462
Meters			4,261,116	4,261,116	Meters			4,305,618	4,305,618
Tools		28,363		28,363	Tools		30,912		30,912
Office Equipment		198,749	13,832	212,581	Office Equipment		194,856	3,000	197,856
Intangible Assets			258,239	258,239	Intangible Assets			243,289	243,289
	-	3,524,684	67,470,854	70,995,538		-	3,561,145	67,527,498	71,088,644

There were no transfers between Levels 1, 2 or 3 during the current reporting period. Transfer from Level 3 to Level 2 occurred in the previous 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.

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Notes to the Financial Statements for the year ended 30 June 2017

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
2017	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fair value at start of period	2,650,000	678,810	13,213,518	1,575,800		44,857,462	4,305,618		3,000	243,289
Additions		49,425	337,632			750,257	386,058		11,348	84,067
Transfers (from/(to) WIP			633,141			5,964				
Revaluation increments/(decrements) recognised in Profit or Loss										
Revaluation increments/(decrements) recognised in Other Comprehensive Income										
Transfers (from/(to) Level 2)										
Disposals										
Depreciation Expense		(57,568)	(878,770)	(78,440)		(799,564)	(430,561)		(516)	(69,117)
Fair value at end of period	2,650,000	670,667	13,305,521	1,497,360	-	44,814,119	4,261,116	-	13,832	258,239

Total gains or losses for the period included in profit or loss, under 'Loss on Disposal and Impairment'

Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period

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Notes to the Financial Statements for the year ended 30 June 2017

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										

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Notes to the Financial Statements for the year ended 30 June 2017

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 Busselton Water are derived and evaluated as follows:

- Consumed economic benefit/obsolescence of asset
- These are estimated by AON International Valuation Consultants
- Selection of land with restricted utility

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

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Notes to the Financial Statements for the year ended 30 June 2017

Note 21 Fair Value Measurements (continued)

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

Description	Fair Value 2017 \$	Fair Value 2016 \$	Valuation techniques	Unobservable inputs
Land	2,650,000	2,650,000	Market approach	Selection of land with similar approximate utility
Freehold Land Improvements	670,667	678,810	Depreciated Replacement Cost	Consumed economic benefit/obsolescence of asset
Plant & Machinery	13,305,521	13,213,518	Depreciated Replacement Cost	Consumed economic benefit/obsolescence of asset
Buildings	1,497,360	1,575,800	Depreciated Replacement Cost	Consumed economic benefit/obsolescence of asset
Mains & Services	44,814,119	44,857,462	Depreciated Replacement Cost	Consumed economic benefit/obsolescence of asset
Meters	4,261,116	4,305,618	Depreciated Replacement Cost	Consumed economic benefit/obsolescence of asset
Office Equipment	13,832	3,000	Depreciated Replacement Cost	Consumed economic benefit/obsolescence of asset
Intangible Assets	258,239	243,289	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.

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Notes to the Financial Statements for the year ended 30 June 2017

Note 22 Intangible Assets

	2017 \$	2016 \$
Computer Software		
At Fair Value	338,811	254,744
Accumulated amortisation	(80,572)	(11,455)
	258,239	243,289
Reconciliations:		
Carrying amount at start of period	243,289	127,327
Additions	84,067	220,184
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	(69,117)	(66,560)
Carrying amount at end of period	258,239	243,289

Note 23 Impairment of Assets

There was no indication of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2017. As at the 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:

	2017 \$	2016 \$
Impairment loss	-	32,174

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.

Note 24 Payables

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

	2017 \$	2016 \$
Trade Creditors	489,897	907,731
Payroll Creditors	48,555	45,999
Miscellaneous Creditors	649,469	705,588
	1,187,921	1,659,318

Note 25 Borrowings

	2017 \$	2016 \$
<u>Current</u>		
WATC Loan	268,698	256,838
Total Current	268,698	256,838
<u>Non-Current</u>		
WATC Loan	1,122,903	1,391,601
Total Non-current	1,122,903	1,391,601

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2017

Note 26 Provisions

	2017 \$	2016 \$
<u>Current</u>		
Annual leave ^(a)	193,098	227,743
Long service leave ^(b)	152,307	108,665
Sick leave ^(c)	449,445	424,741
	794,850	761,149
Employment on-costs ^(d)	82,152	79,545
	877,002	840,693
<u>Non-current</u>		
Long service leave ^(b)	43,025	58,768
Employment on-costs ^(d)	8,218	11,225
	51,243	69,993
Aggregate employee benefit liability	928,245	910,686
Number of employees at year end	30	30

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

Within 12 months of the end of the reporting period	154,479	182,194
More than 12 months after the end of the reporting period	38,620	45,549
	193,098	227,743

^(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	72,655	48,449
More than 12 months after the end of the reporting period	122,677	118,984
	195,332	167,433

^(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	48,834	45,042
More than 12 months after the end of the reporting period	400,611	379,699
	449,445	424,741

^(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

<u>Employment on-cost provision</u>		
Carrying amount at start of period	90,770	76,840
Additional/(reversals of) provisions recognised	69,931	70,166
Payments/other sacrifices of economic benefits	(70,331)	(56,236)
Carrying amount at end of period	90,370	90,770

Note 27 Other Liabilities

	2017 \$	2016 \$
Monies in Trust	22,391	17,316
Income in Advance	43,071	35,737
	65,462	53,053

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2017

Note 28 Equity

	2017 \$	2016 \$
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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	11,074,741	9,499,699
Less: Transfers to Retained Profits	(1,291,657)	(2,817,053)
Add: Transfers from Retained Profits	2,074,925	4,392,095
Balance at end of period	11,858,009	11,074,741

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.

	2017 \$	2016 \$
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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	1,463,741	1,435,170
	1,463,741	1,435,170

After 30 June 2017, the Directors proposed a final dividend payment of \$1,408,625 for the 2017 year, payable on or before 31 December 2017. The dividend has not been provided for and there are no tax consequences.

	2017 \$	2016 \$
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Asset Revaluation Reserve Fund

Balance at start of period	33,554,143	30,763,871
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Net revaluation increments/(decrements)

Land		459,000
Deferred Tax Land		(137,700)
Land improvements		143,766
Deferred Tax Land Improvements	37,110	(46,285)
Plant and Machinery		(1,220,074)
Deferred Tax Plant and Machinery	15,653	361,432
Buildings		214,098
Deferred Tax Buildings	24,150	(76,341)
Motor Vehicles		(9,686)
Deferred Tax Motor Vehicles	(9,803)	8,242
Mains and Services		3,180,353
Deferred Tax Mains and Services	110,676	(867,558)
Meters		904,708
Deferred Tax Meters	95,142	(101,960)
Tools		(5,595)
Deferred Tax Tools	(1,134)	2,205
Office Equipment		(48,026)
Deferred Tax Office Equipment	(98,512)	86,600
Deferred Tax Low Value Pool	(36,893)	(56,907)
Deferred income tax (note 30 "Taxation equivalents")	136,389	2,790,272

Balance at end of period	33,690,532	33,554,143
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RETAINED EARNINGS

	2017 \$	2016 \$
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Balance at Start of Period	25,691,415	25,601,553
Result for the Period	2,093,390	3,100,075
Add Transfers From Reserves	1,291,657	2,817,053
Less Transfers to Reserves	(2,074,925)	(4,392,095)
Dividends Paid	(1,463,741)	(1,435,170)

Balance at End of Period	25,537,797	25,691,415
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FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2017

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:

	2017 \$	2016 \$
Cash and cash equivalents	1,404,806	900,068
Other Financial Assets	11,150,000	11,150,000
	12,554,806	12,050,068

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

	2017 \$	2016 \$
Profit after Income Tax Equivalents	2,093,390	3,100,075
<u>Non-cash Items:</u>		
Depreciation	2,447,499	1,963,815
Loss on Sale of Assets	-	14,368
Impairment Losses	-	32,174
Less Developer Contributed Assets	(215,223)	(848,166)
Income Tax Expense	1,176,685	1,526,632
Operating Subsidy Contributions from Government	(527,192)	(492,067)
<u>(Increase)/decrease in assets:</u>		
Current Receivables	243,171	486,749
Current Inventories	(58,700)	(12,995)
Prepayments	2,894	42,815
<u>Increase/(decrease) in liabilities:</u>		
Current Payables ^(a)	(340,476)	256,050
Current Provisions	36,309	109,328
Non-Current Provisions	(18,750)	11,717
Net GST receipts/(payments) ^(b)	63,327	5,720
Change in GST in receivables/payables ^(c)	(125,400)	147,955
Net cash provided by/(used in) operating activities	4,777,533	6,344,169

^(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

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

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

Note 30 Taxation Equivalents

	2017 \$	2016 \$
(a) Income Tax Expense		
<i>Current income</i>		
Current income tax charge	1,177,082	1,566,816
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(397)	(40,184)
Total Income tax expense	1,176,685	1,526,632
(b) Amounts recognised in other comprehensive income		
<i>Deferred income tax</i>		
Unrealised gain on available for sale financial assets	136,389	828,272
Income tax benefit recognised in other comprehensive income	136,389	828,272
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax equivalents	3,270,075	4,626,707
Tax at the statutory income tax rate of 30% (2016: 30%)	981,022	1,388,012
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	195,663	138,620
Total Income Tax Expense	1,176,685	1,526,632

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2017

Note 30 Taxation Equivalents (continued)

(d) Deferred Income Tax

	Statement of Financial Position		Statement of Comprehensive Income	
	2017 \$	2016 \$	2017 \$	2016 \$
<u>Deferred income tax assets</u>				
Provisions - employee benefits	278,474	273,206	(5,268)	(36,313)
Accrued Superannuation	2,219	1,829	(390)	(554)
Prepaid expenses	(3,581)	(3,764)	(183)	3,470
Gross deferred income tax assets	277,112	271,271		
<u>Deferred income tax liabilities</u>				
Revaluation of land, property, plant & equipment infrastructure	12,979,757	13,116,144	(136,387)	828,270
Developer contributions	-	-		(2,180)
Interest receivable	39,647	34,205	5,442	(4,605)
Gross deferred income tax liabilities	13,019,404	13,150,349		
Net deferred income tax liabilities	12,742,292	12,879,078		
Deferred income tax expense			(136,786)	788,088

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2017

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:

	2017 \$	2016 \$
Non-current assets		
Office Equipment	78,634	83,000

The joint operation was entered into in 2014-15.

Note 32 Remuneration of Auditor

	2017 \$	2016 \$
Remuneration payable to the Auditor General in respect to the audit for the current financial year is as follows:		
Auditing the accounts, financial statements	37,650	37,100
	37,650	37,100

Note 33 Compensation of Key Management Personnel

Busselton Water has determined that key management personnel include the responsible Minister, board members, and, senior officers of Busselton Water. However, Busselton Water is not obligated to compensate the responsible Minister and therefore disclosures in relation to Ministers' compensation may be found in the *Annual Report on State Finances*.

Total compensation for key management personnel, comprising members of Busselton Water and other senior officers of Busselton Water for the reporting period are presented within the following bands:

Compensation of members of Busselton Water Compensation Band (\$)	2017	2016
0 - 10,000	1	1
10,001 - 20,000	4	4
20,001 - 30,000	1	1
	\$	\$
Short term employee benefits	75,000	75,356
Post employment benefits	7,125	7,125
Total compensation of members of Busselton Water	82,125	82,482

Compensation of other senior officers Compensation Band (\$)	2017	2016
90,001 - 100,000	-	1
140,001 - 150,000	-	1
150,001 - 160,000	1	-
200,001 - 210,000	1	1
290,001 - 300,000	1	-
300,001 - 310,000	-	1
	\$	\$
Short term employee benefits	610,583	668,429
Post employment benefits	54,391	59,759
Other long term benefits	(13,066)	18,851
Total compensation of senior officers	651,908	747,038

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2017

Note 34 Related Party Transactions

Busselton Water is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, Busselton Water is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to State.

Related parties of Busselton Water include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and public sector entities, including related bodies included in the whole of government consolidated financial statements; and
- associates and joint ventures, that are included in the whole of government consolidated financial statements.

Significant transactions with government related entities

Significant transactions include:

- Income tax Equivalents (NTER) (Note 30)
- Dividends (Note 28)
- Payroll Tax \$128,152 (Note 11 and 15)
- Operating Subsidies (Note 7)
- Loan Repayments (WATC) (Note 25)
- Insurance \$96,198 (Note 11, 13 and 15)
- Local Government Rates Equivalent \$55,971 (Note 11 and 13)
- Bulk Water Supply Agreement - Water Sales \$197,740 (Note 6)
- Bulk Water Supply Agreement - Reimbursement of Infrastructure Costs \$731,765 (Note 8)

Material transactions with other related parties

Busselton Water had no material related party transaction with Ministers/senior officers or their close family members or their controlled (or jointly controlled) entities for disclosure.

All other transactions (including general citizen type transactions) between Busselton Water and Ministers/senior officers or their close family members or their controlled (or jointly controlled) entities are not material for disclosure.

Note 35 Commitments for Expenditures

Non-cancellable Operating Lease Commitments

Busselton Water has entered into a number of non-cancellable operating lease arrangements for office equipment where the lessors effectively retain some of the risks and benefits incident to ownership of the items held under the operating leases. Busselton Water is responsible to insure the items with Alleasing and to maintain the equipment in good working order. Equal instalments 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.

	2017	2016
	\$	\$
Commitments for minimum lease payments are payable as follows:		
Within 1 year	182,232	139,713
Later than 1 year and not later than 5 years	156,327	141,805
	338,559	281,518

Capital Expenditure Commitments

	2017	2016
	\$	\$
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	272,606	179,563
	272,606	179,563

Figures reported include GST.

The capital commitments include amounts for water plant upgrades/refurbishments, new connections and stock.

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2017

Note 35 Commitments for Expenditures (continued)

Other Expenditure Commitments

	2017 \$	2016 \$
Other expenditure commitments, contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within 1 year	91,634	138,830
	91,634	138,830

Figures reported include GST.

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

Note 36 Contingent Liabilities and Contingent Assets

There were no contingent liabilities or assets to report as at 30 June 2017.

Note 37 Events Occurring After the End of the Reporting Period

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

Note 38 Financial Instruments

(a) Financial Risk Management Objectives and Policies

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

Busselton Water does not have any derivative instruments at 30 June 2017.

i. Treasury Risk Management

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

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

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

ii. Financial Risk Exposures and Management

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

Interest rate sensitivity analysis

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

2017	Carrying Amount \$	- 100 basis points		+ 100 basis points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
Financial Assets					
Cash & cash equivalents	1,404,806	(14,048)	(14,048)	14,048	14,048
Other financial assets	11,150,000	(111,500)	(111,500)	111,500	111,500
Financial Liabilities					
WATC Borrowings	1,391,601	(13,916)	(13,916)	13,916	13,916
Total Increase/(Decrease)		(139,464)	(139,464)	139,464	139,464

2016	Carrying Amount \$	- 100 basis points		+ 100 basis points	
		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

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Notes to the Financial Statements for the year ended 30 June 2017

Note 38 Financial Instruments (continued)

(a) Financial Risk Management Objectives and Policies (continued)

Liquidity risk

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

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

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

Credit risk

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

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and in the table of Note 38(c) 'Financial Instruments' and note 19 'Receivables' to the financial statements.

There are no amounts of collateral held as security at 30 June 2017.

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 2017 and 30 June 2016 do not include any counter parties with external credit ratings. Customers credit worthiness is monitored monthly and actions taken where applicable in accordance with Board policy.

Market risk

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

All borrowings are due to the Western Australian Treasury Corporation (WATC) and are repayable at fixed rates with varying maturities. Busselton Water has limited exposure to interest rate risk as detailed in the interest rate sensitivity analysis table at note 38(a)(ii). Busselton Water is not exposed to interest rate risk because the majority of cash and cash equivalents and investments are non-interest bearing and it has no borrowings other than WATC borrowings.

(b) Categories of financial instruments

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

	2017 \$	2016 \$
Financial Assets		
Cash and cash equivalents	1,404,806	900,068
Receivables ^(a)	2,700,545	2,942,614
Other Financial Assets	11,150,000	11,150,000
Financial Liabilities		
Payables	1,187,921	1,659,318
WATC Borrowings	1,391,601	1,648,439
Other Financial Liabilities	65,462	53,053

(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 2017

Note 38 Financial Instruments (continued)

(c) Financial Instrument Disclosures

Credit risk

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

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

	Carrying Amount	Not past due and not impaired	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Impaired financial assets
2017	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	1,404,806	1,404,806	-	-	-	-	-	-
Receivables ^(a)	2,700,545	2,580,648	-	59,908	59,989	-	-	-
Other Financial Assets	11,150,000	11,150,000	-	-	-	-	-	-
	15,255,350	15,135,454	-	59,908	59,989	-	-	-
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	-	-	-

^(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 2017

Note 38 Financial Instruments (continued)

Liquidity risk and interest rate exposure

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

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

	Weighted Average Effective Interest Rate	Carrying Amount	Interest rate exposure			Nominal amount	Maturity dates				
			Fixed interest rate	Variable interest rate	Non-interest bearing		Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
2017	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Financial Assets</u>											
Cash and cash equivalents	1.40	1,404,806	-	1,403,706	1,100	1,404,806	1,404,806	-	-	-	-
Receivables ^(a)		2,700,545	-	-	2,700,545	2,700,545	2,700,545	-	-	-	-
Other Financial Assets	2.68	11,150,000	11,150,000	-	-	11,150,000	2,600,000	4,250,000	4,300,000	-	-
		15,255,350	11,150,000	1,403,706	2,701,645	15,255,350	6,705,350	4,250,000	4,300,000	-	-
<u>Financial Liabilities</u>											
Payables		1,187,921	-	-	1,187,921	1,187,921	1,187,921	-	-	-	-
WATC Borrowings	4.54	1,391,601	1,391,601	-	-	1,391,601	-	66,042	202,657	1,122,903	-
Other Financial Liabilities		65,462	-	-	65,462	65,462	-	43,071	22,391	-	-
		2,644,985	1,391,601	-	1,253,383	2,644,985	1,187,921	109,113	225,048	1,122,903	-

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

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Notes to the Financial Statements for the year ended 30 June 2017

Note 38 Financial Instruments (continued)

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

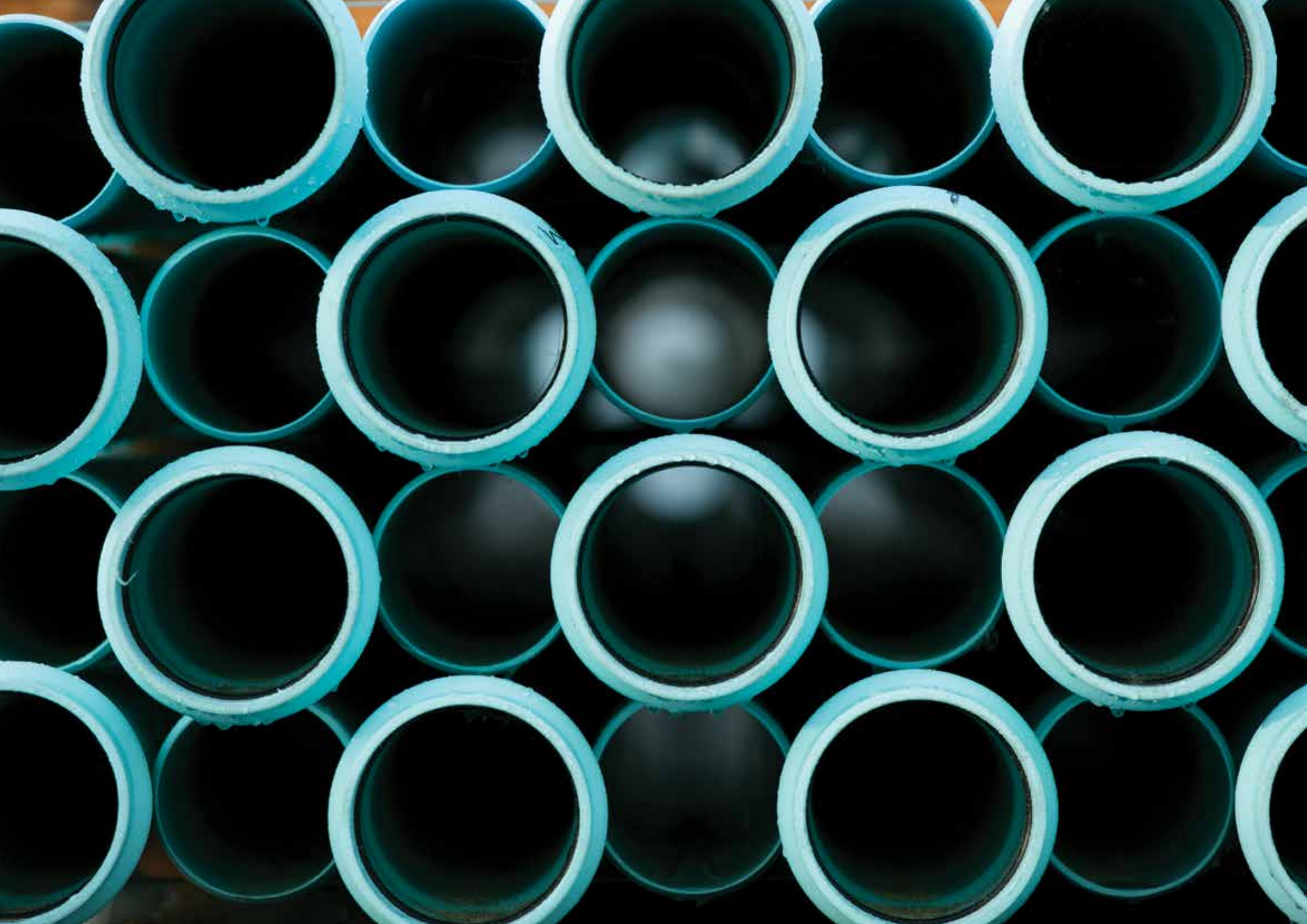
	Weighted Average Effective Interest Rate	Carrying Amount	Interest rate exposure			Nominal amount	Maturity dates				
			Fixed interest rate	Variable interest rate	Non-interest bearing		Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
2016	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Financial 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).

(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.





BUSSELTON WATER

Busselton Water

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