

# Annual Report 2018

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VERSION 2



**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 2018.

## **Busselton Water**

### **Annual Report 2018**

This report is a review of our performance for the financial year ending 30 June 2018. 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.

**Helen Shervington**  
Chair  
Busselton Water Corporation

**Chris Elliott**  
Chief Executive Officer  
Busselton Water Corporation

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BUSSELTON WATER



BUSSELTON WATER

Welcome



# Our year at a glance

In 2017-18, Busselton Water continued to deliver water services safely, efficiently, sustainably and in collaboration with our customers and stakeholders.

## During the year we:

- extracted 5.35 gigalitres (GL) of groundwater;
- delivered 5.22GL of drinking water to 13,474 customers;
- provided 0.30GL of potable water to the Dunsborough/Yallingup Water Supply Scheme;
- achieved revenue of \$14.3 million;
- achieved a profit before income tax of \$4.9 million;
- paid a dividend of \$1.4 million to Government;
- returned to Government, by way of net accruals, \$2.4 million;
- invested \$2.5 million in infrastructure;
- employed 32 local people; and
- recorded no lost time injuries (LTI).



# Executive summary

## Highlights



### Leadership

Our resolve to become one of the most energy efficient water suppliers in the country impelled new solar installations at our Administration building and smarter energy management across our water treatment network. We embedded our Energy Strategy and wider Environmental Management System into the business – reducing energy consumption and our carbon footprint in the process.



### Strategy and planning

Our pursuit of business excellence saw a comprehensive review of our corporate plans and models during the year – including our long-term asset, financial and infrastructure plans and water demand projections. Together, the plans helped drive a consistent vision and approach for the business.



### Information and knowledge

We created a stronger, safer water supply network through rigorous assessment and auditing of our information technology, cyber security systems and controls. As we entered the final year of our ICT strategy, we also embarked on a suite of incident response plans and adopted a new whole-of-government digital policy.



### People

We extended our reputation and credentials as a leader in workplace health and safety, achieving two years with a perfect All Injury Frequency Rate (AIFR) and maintaining our WorkSafe Plan Gold status. These achievements – and our exceptional safety systems, processes and training – reflect our enduring commitment to our greatest asset, our people.





### Customers and other stakeholders

As part of our unwavering commitment to provide customer-focused services, we partnered with Australia Post to offer a new payment option and offer greater choice to our customers. Our digital and social media platforms continued to grow and develop, and we worked to progress the 'my account' online portal to help our customers better understand and manage their water use.



### Process management, improvement and innovation

An extensive testing regime backed by more than 3,500 water quality samples highlighted our exceptional water quality which was 100% compliant with the Australian Drinking Water Guidelines. Our program of upgrades across our system continued – including the implementation of fully automated works planning and scheduling to lift operational efficiency.



### Results and sustainable performance

For the third consecutive year, Busselton Water was named one of the Western Australian Government's top 20 small best practice agencies for our financial reporting, reflecting the clarity and quality of our financial systems and controls.



### Growth

This year, we delivered 5.22GL of high quality water to 13,474 customers and connected 278 new properties to our network. We also carried out a \$2.5 million capital works program that will substantially increase the durability of Busselton's water supply and cater for future growth of our region – including a major pipeline and pumping station to supply water to the new airport and residential areas in Yalyalup.

## From the Chair



**It is with great pleasure that I present our Annual Report for the year ending 30 June 2018.**

After more than 110 years of service, Busselton Water remains an essential part of the Busselton community and plays a vital role as a modern and efficient local water provider for our developing region.

The South West is one of the fastest growing areas in the country, with demand for water set to double over the next half century. We are preparing for this growth through an ambitious infrastructure program that will deliver long-term security of supply – while maintaining a keen focus on service, efficiency and improved returns to our customers and government.

The business achieved another creditable financial result in 2017-18, realising a net profit before tax of \$4.9 million and dividend of \$1.4 million returned to the State Government, reflecting our obligations as a Government Trading Enterprise.

To prepare for the challenges that lay ahead, along with our strong investment in infrastructure, we enhanced our strategic planning framework during the year – bolstered by improvements to our Strategic Asset Plan, 30-year Financial Model, and 30-year Infrastructure Plan.

Our Customer Advisory Group continued to be a valuable source of feedback, and we fostered relationships with other water industry leaders, particularly those who are pushing the boundaries and taking the water industry into the future. Exposure to new and innovative products and technologies is crucial to our future planning and the delivery of water services safely, efficiently and sustainably – now and in the future.

On behalf of the Board I would like to thank Chris Elliott and his dedicated team for their exceptional performance over the past year.

I would also like to acknowledge the leadership and support of my fellow Directors who have continued to serve the corporation to the benefit of the Busselton community. It is a privilege to work alongside you all.

A handwritten signature in blue ink, appearing to read 'H. Shervington', positioned above the printed name.

**Helen Shervington**  
Chair



## From the CEO



**Clear strategic priorities underpinned by our values of integrity, respect and courage have driven outstanding results this year.**

Once again, we achieved full compliance with the Australian Drinking Water Guidelines in 2017-18, a reflection of our foremost commitment to supply the very best quality drinking water to our customers.

Our customer base grew by 2.1% to 13,474. Water sales revenue increased by 8% to \$9.8 million.

To support the region's continued growth, a \$2.5 million capital investment further expanded our complex network of plants and distribution mains during the year. Of particular significance, we were proud to deliver a new pipeline and pump station to facilitate the development of the Busselton-Margaret River Airport and support the longer-term needs of the expanding Yalyalup community.

Operationally, we aggressively sought opportunities for improvement and greater efficiency across all aspects of the business, and we are already seeing some pleasing results.

Solar installations – a key feature of our Energy Strategy – are now in full operation at our administration building, almost halving our energy consumption requirements for our office.

We also reinforced our position of having one of the best safety track records in the water industry, achieving two years injury free. This remarkable milestone reflects our commitment to safety as a business, as well as the personal dedication of each and every one of our staff members to 'living and breathing' a culture of safety excellence.

The significance of our role as a leader and educator in water efficiency and preservation is not taken lightly. We continued to invest in waterwise education programs in our schools, local businesses and the community, and we 'gave back' through our Community Partnership Program by supporting the

many local groups that, like us, play an important role in the fabric of our community.

The year's results, of course, would not have been possible without the remarkable skills and dedication of our exceptional team who continue to work hard to create the best possible outcomes for our customers and stakeholders. I commend every member of staff for their contribution.

I would also like to express my sincere appreciation to our Board of Directors for their continued confidence and support.

Together, we remain committed to the community we have served for more than a century and will continue to embrace new opportunities in the years ahead.

**Chris Elliott**  
Chief Executive Officer





# Our business

Established in 1906, Busselton Water is a local water corporation that has provided safe, sustainable and affordable water to Busselton and surrounding communities for more than a century.

We are owned by the Western Australian Government and 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.

As a water corporation, established in 2013 under the *Water Corporations Act 1995*, Busselton Water actively investigates opportunities to enhance our services and strengthen our financial sustainability and returns to Government.

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

## Our operating area

Busselton is a major regional centre located approximately 220 kilometres south of Perth, Western Australia.

Under our operating licence (WL3, Version 7), we are authorised to provide potable water supply services to an area of approximately 688,700 square kilometres.



## Our water

We source the majority of our raw groundwater from the deep, confined Yarragadee aquifer – a major freshwater resource for the south west of Western Australia which runs beneath the Swan Coastal Plain west of the Darling Scarp, from Geraldton to the south coast. We also abstract a smaller amount of water from the base of the shallower Leederville aquifer. Our abstraction is regulated by licences issued by the Department of Water and Environmental Regulation.

After being drawn from the aquifers, the raw groundwater is filtered and treated at one of Busselton Water's three local treatment plants to remove iron, manganese, turbidity and any other impurities, and then disinfected. This process ensures the water meets the Australian Drinking Water Guidelines before being distributed through our network to customers.

## Our services

Busselton Water supplies potable (drinkable) water to a growing population of 26,000 people within the City of Busselton local government area through a managed network of 325 kilometres of pipeline.

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.

Busselton Water supplies 13,474 customer accounts including domestic, commercial, light industrial and special rural water users. We also sell 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 seniors 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.

**110+**  
YEARS OF SERVICE

3 PLANTS  
DELIVERING  
**5.22 MILLION**  
KILOLITRES OF WATER  
EACH YEAR.  
THE EQUIVALENT TO  
**2,088**  
OLYMPIC SIZE  
SWIMMING POOLS

MORE THAN  
**24**  
COMMUNITY GROUPS  
SUPPORTED IN THE PAST  
**3 YEARS**

**8 CAG**  
MEMBERS

**PROVIDE**  
DRINKING WATER TO

**26,000** **50,000**  
PEOPLE DURING PEAK  
HOLIDAY TIMES

**325KM**  
OF PIPELINE

**TOP**  
**20**  
BEST PRACTICE  
AGENCY SINCE  
**2015**

**SUPPLIES**

POSTCODE  
**6280**

LICENSED  
TO SERVICE  
**688,000**  
HECTARES

**32**  
LOCAL STAFF

**13,000**  
CUSTOMERS

ABSTRACTION FROM  
**2** GROUNDWATER  
AQUIFERS





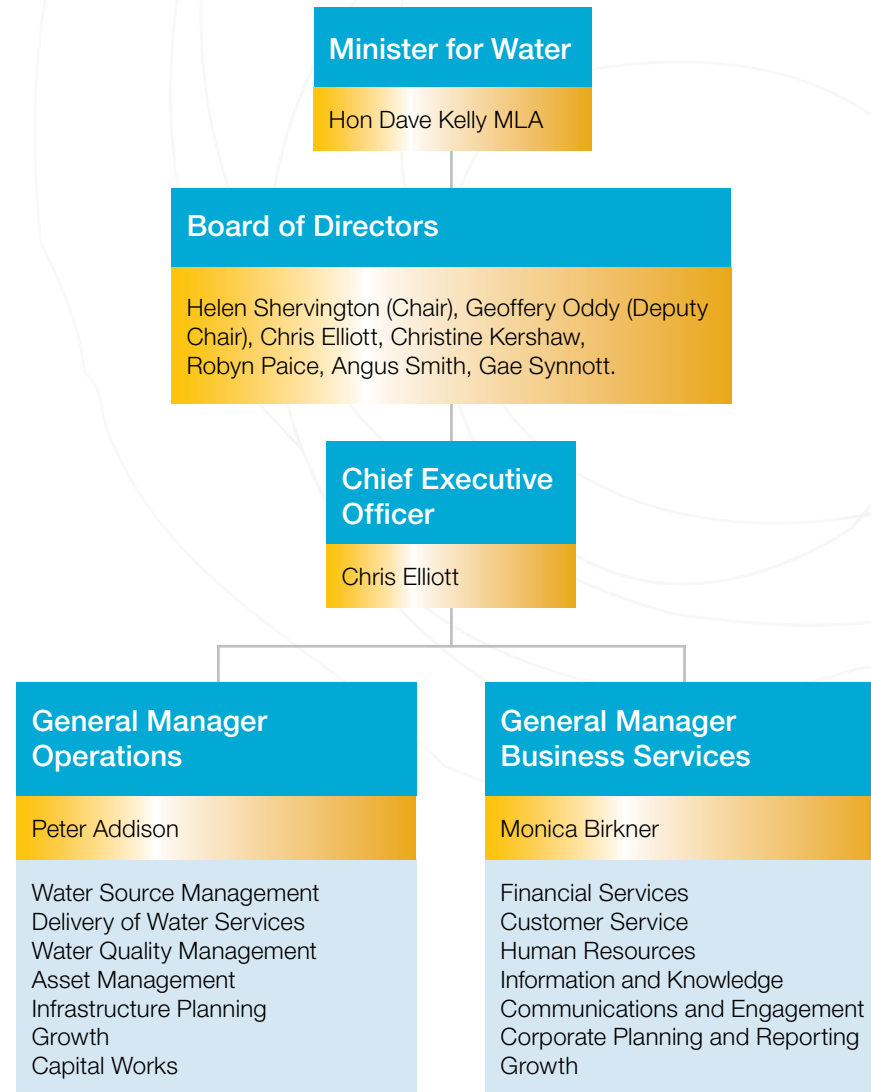
# Our corporate structure

Our 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 which enables Busselton Water to achieve high levels of performance and compliance.

Busselton Water employs 32 team members and engages external support and expertise as required.





# Our Board



**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.



**Matthew Walker**

BSc

*Deputy Chair*

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 minor works and labour hire firm servicing the resource sector. Mr Walker is also the deputy chair of the Vasse Primary School Board and involved with the Busselton Surf Life Saving Club.



**Christopher Boulton**  
MEd, BEd, DipT

Christopher Boulton was appointed to the Board in 2012 and is a member of the Audit Committee. Mr Boulton retired from his school principal position of 20 years in July 2017 and has since involved himself in a broad range of community interests.



**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 currently an executive member of the Busselton Chamber of Commerce and Industry and Treasurer of the Busselton Sporting Association. Mr Smith's term expires in May 2019.



**Geoffery Oddy**  
Dip Eng Surv

Appointed to the Board in 2014, Geoffery Oddy is a retired CEO of Aqwest in Bunbury. Mr Oddy served as an interim 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 2020.



**Christine Kershaw**  
BA, GradDipEd, AICD

Appointed to the Board in 2017, Christine Kershaw is a trainer and consultant with a background in urban and regional development and environmental management. Ms Kershaw is current Chair of the South West Catchment Association, South West Catchment Council and Cape Naturaliste College. She is also a former Regional Landcare Facilitator and Steering Committee member, and Regional Development Australia (South West) Board member. Ms Kershaw's term expires in May 2020.



# Our Executive



**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 within both the 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.



**Peter Addison**

**BSc (CE), MBA**

**General Manager Operations**

Peter Addison joined Busselton Water in July 2017, bringing more than 30 years' experience in civil engineering, business development and management to the corporation. Mr Addison has high level expertise in the planning, delivery and operation of public sector infrastructure assets, with a particular focus on business planning, feasibility studies, project management and asset management. As a former Australian Water Association WA branch president and committee member for 25 years, Peter has a long history and passion for sustainable water management and business improvement.



**Monica Birkner**

**BSc**

**General Manager Business Services**

Monica Birkner joined Busselton Water in May 2018, bringing 15 years' senior level public sector experience, predominantly with agencies responsible for government buildings and public assets. She has particular strengths in governance, change management, human resources and strategic planning, backed by a strong understanding of policy and legislation. Most recently, Monica has focused on audit and compliance, and infrastructure program management at a state government level. She also has a passion for workforce safety and building strong and positive workplaces.



**Diane Depiazz**

**BCom, ADipBus**

**Manager Finance**

Diane Depiazz has more than 30 years' experience in finance and has held senior positions in local and state government including 18 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.





# Key business results

Across all areas, corporate performance in 2017-18 exceeded the targets detailed in our Statement of Corporate Intent for the year.

Our region remains one of the fastest growing areas in Western Australia and Busselton Water is supporting this growth through the delivery of developer-funded infrastructure and our own capital works program. We have delivered these programs with a focus on continued improvement and cost efficiency. Our financial results also reflect a commitment to meeting customers' water needs in the most efficient manner.

In 2017-18, Busselton Water achieved a profit before tax of \$4.9 million and revenue of \$14.3 million (up from \$12.2 million in 2016-17).

Our water sales generated \$9.8 million in revenue in 2017-18 (\$9.1 million in 2016-17). Ex-plant production is down, due to higher rainfall and on-average lower temperatures.

A further \$1.3 million in revenue (also \$1.3 million in 2016-17) was driven by land development activity from large developments in Vasse and Broadwater Farm, and on Layman Road. In addition, the City of Busselton contributed \$1.1 million towards the development of water services to the new airport.

Operating expenditure in 2017-18 was \$9.4 million.

## Net accruals to Government

After 30 June 2018, the Directors proposed a final dividend payment of \$1.5 million for the 2018 year, payable on or before 31 December 2018.

We are also required by the Australian Taxation Office to lodge a National Taxation Equivalent Return and pay tax equivalents to the State of \$1.5 million.

We also pay local government rates equivalent of \$0.5 million to the State Government.

We received an operating subsidy from the Government of \$0.05 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 \$2.5 million.

## Debt and borrowings

Our capital program in 2017-18 was self-funded and no additional borrowings were required.



## Investing in the community

All of Busselton Water's 32 employees live and/or 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. Tenders awarded to local contractors in 2017-18 for the delivery of services included pipelines, directional drilling and solar arrays.

Busselton Water also provided support to seven local community organisations in 2017-18, as well as a number of regional and tourism groups and events including the Busselton Jetty Swim.

## Investing in assets

Capital expenditure for the year was \$2.5 million. Investment focused on three major projects – the renewal of the aged gravity filters at Plant 1, and the design and construction of a major pipeline and booster pumping station at the proposed Plant 8 (Busselton Margaret River Airport) site. At year end, these projects were on schedule for completion in late 2018.

## Our financial results

Financial Results (\$m)	2017-18 budgeted	2017-18 revised budget	2017-18 actual	Variance
Operating profit before income tax	3.99	3.96	4.88	0.93
Operating profit after income tax	2.77	2.73	3.43	0.70
Loan principal repaid	0.27	0.27	0.27	0.00
Capital expenditure	3.87	4.26	2.52	1.74
<b>Net accrual to Government (\$'000s)</b>				
Income tax equivalents (NTER)	1,227.00	1,227.00	1,451.40	224.40
Local Government rate equivalents	59.46	59.46	55.97	(3.49)
Dividends provided	1,025.00	1,408.63	1,408.63	0.00
<b>Total accruals to Government</b>	<b>2,311.46</b>	<b>2,695.09</b>	<b>2,916.00</b>	<b>220.91</b>
Less: Payments from Governments (Operating subsidies)	647.00	628.85	523.00	105.85
<b>NET ACCRUALS TO GOVERNMENT</b>	<b>1,664.46</b>	<b>2,066.24</b>	<b>2,393.00</b>	<b>326.76</b>
<b>Financial performance measures (%)</b>				
Return on fixed assets	3.67	3.63	4.78	1.15
Return on equity	3.81	3.79	4.62	0.83
Debt to equity ratio	1.06	1.06	1.03	0.03
Debt to total assets ratio	0.86	0.86	0.86	0.00

## Our key performance outcomes

Strategic priority / outcome	2017-18 Target	2017-18 Actual	Result
<b>Leadership</b>			
Residential water efficiency target kL/pp/year	115	108	On target
<b>Strategy and Planning</b>			
SCI and SDP submitted to Minister	30 April 2018	27 April 2018	On target
<b>Information and Knowledge</b>			
Deliver year 1 of the Information and Knowledge five year program	>85%	95%	On target
<b>People</b>			
Number of reported hazards per month (rolling year average)	>10	10.6	On target
<b>Customer and Other Stakeholders</b>			
Number of complaints per 1000 customers (rolling year average)	<10	2.5	On target
<b>Process Management, Improvement and Innovation</b>			
Drinking water quality compliance with health standards	100%	100%	On target
<b>Results and Sustainable Performance</b>			
Operating profit after tax	\$2.8m	\$3.4m	On target

All key performance outcomes were on target for 2017-18.



## Management trends

Key performance Indicator	2013/14	2014/15	2015/16	2016/17	2017-18
Properties served (% per km of water mains)	39.7	39.4	39.8	40.2	40.5
Average annual residential water supplied (kl/property)	286.6	284.0	288.0	274.0	269.0
Total number of water main breaks	23	26	23	23	32
Water main breaks (per 100km of water main)	7.7	8.3	7.3	7.2	9.8
Total number of water quality complaints (per 1,000 properties)	2.4	1.7	3.8	1.1	1.3
Total number of water service complaints (per 1,000 properties)	0.0	0.0	0.0	0.0	0.5
Total number of account and billing complaints (per 1,000 properties)	0.2	0.2	0.0	0.2	0.3
Duration of unplanned water interruption (average minutes)	77.1	197.5	85.8	63.5	93.8
Incidence of unplanned water interruptions (average per 1,000 properties)	167.9	166.6	239.5	235.8	328.4
Economic real rate of return (% net water revenue/written down value of water assets)	5.8	5.4	6.0	4.2	6.5
Lost time injury frequency rate (LTI per one million hours)	43.4	21.8	20.1	0.0	0
Lost time injury incidence rate (LTI per 100 workers)	7.1	3.4	3.1	0.0	0
% return on weighted balance of investments target AusBond Bank Bill (1.8%)	3.9	3.6	3.0	2.8	2.6

Properties connected per kilometre of water main provides information on the spatial density of properties served by water mains. For Busselton Water, our figure of 40.5 compares with approximately 58 for the Perth metropolitan area, and approximately 34 for the average spatial density of regional towns.

Our average annual residential water supply was 269kL per property, showing an encouraging decreasing trend consistent with efforts to improve water use efficiency. This trend was also influenced by milder summer temperatures and higher rainfall.

The total number of water main breaks increased this year to 32, reflecting the aging of our infrastructure. This increase resulted in 9.8 water main breaks per 100km of water main.

The number of water quality complaints per 1,000 properties was 1.3, which remained very low and was similar to last year. Water quality complaints included those related to discolouration (7), taste and odour (7), and other matters (3).

The number of water service complaints per 1,000 properties was 0.5, and the number of account and billing complaints per 1,000 properties was 0.3. Both remained very low.

The duration of unplanned water interruptions increased to 93 minutes due to a small number of major mains failure incidents during the year. This also contributed to the incidence of unplanned water interruptions increasing to 328 per 1,000 properties.

The economic real rate of return reflects the operating profit before tax excluding interest on water assets.

Both the lost time injury frequency rate (LTIFR) and lost time injury incidence rate (LTIIR) were maintained at zero for the entire year. Busselton Water's last lost time injury (LTI) was in July 2015.

Busselton Water assesses its investment performance against the AusBond Bank Bill. Busselton Water achieved a performance of 2.6%, which was better than the AusBond Bank Bill (of 1.8%).

# Operating report

## STRATEGIC PRIORITY: Leadership

We are committed to developing and using effective leadership systems and processes founded 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 and internal control system to identify and assess material risks and report on how these risks can be effectively managed. The executive team provides an annual assurance to the Board that effective risk management processes in relation to material business risks are in place.

Busselton Water's process of identifying, analysing and evaluating risks is aligned with the *WA Government Risk Management Guidelines* by RiskCover and the AS/NZS ISO 31000:2009 *Principles and Guidelines*.

In 2017-18, improvements to the Risk Management Framework included:

- biannual reviews of the Risk Register, conducted in August 2017 and February 2018, with a range of improvements, actions and/or additional control measures identified and implemented;
- identification, registration and assessment of Information and Technology (IT) and Occupational Health and Safety (OSH) risks;
- review and updates to the policy P3 *Risk Management*;
- review and updates to the procedure P3PR01 *Risk Management Process*, including revision of the Qualitative Measures of Consequence for Class of Business Impact table;
- preparation of Dangerous Goods Site Risk Assessment Reports, conducted by an independent qualified assessor, as required by the Dangerous Goods Safety (Storage and Handling of Non-explosives) Regulations 2007;
- updates to the centralised contacts list;
- revisions to the Administration Building Emergency Response Plan;

- attendance at the quarterly Local Emergency Management Committee (LEMC) meetings, including participation in a multi-agency mock exercise; and
- participation in the Southern Critical Infrastructure and Crowded Places Forum, hosted by WA Police on 7 March 2018 in Bunbury.

In 2017-18, there were 32 incidents recorded in the Operational Incident Register, 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 unforeseen 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 June 2018 an event simulating a water quality issue was conducted in conjunction with the Department of Health. The relevant incident response plans and our Business Continuity Plan were subsequently updated and improved.

### 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 corporation.

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 2017-18 financial year.







## Focus on recycling

**Busselton Water boosted its credentials as an environmentally sustainable business in 2017-18 by embedding a range of improved recycling practices and reinforcing its commitment to whole-of-business waste reduction.**

In October, with support from the City of Busselton's recycling education team, a comprehensive waste audit was completed for Busselton Water's Administration building, which included a hands-on assessment of all waste produced.

A Waste Management Plan was then mapped for the entire business – including the water treatment plants and Administration Office. Recycling bins and Bokashi composting systems have been placed at both the Administration Centre and at Plant 2, along with information for staff about what can and cannot be recycled. Staff education about reducing paper use is also underway.

## 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 are currently developing an Environmental Management System (EMS) with a team of dedicated staff from across the organisation and working towards compliance with the ISO 14000 family of environmental management standards.







### Source protection

Busselton Water continued its robust water quality and aquifer monitoring programs during the year. During this period, there were no unexpected trends in aquifer response or water quality and all results met the proposed trigger values for water levels and salinity. As such, it was not necessary for Busselton Water to implement any contingency strategies.

All 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 a review by the Department of Water and Environmental Regulation is expected in 2018-19.

Our 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 2017-18 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.

This year, we also worked with a range of technical specialists to develop a 30-year Preliminary Sustainability Report for our borefield. This involved creating a two-dimensional model of the aquifer and the saltwater interface, and determining how our pumping activities are likely to impact on the aquifer over the next three decades. This comprehensive assessment provides Busselton Water with the information needed to appropriately manage the draw from our bores and minimise any impact on the aquifer. It will also facilitate the transition to an inland borefield over time.

### Compliance with relevant legislation

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





### *Water efficiency*

Busselton Water supports state-wide water efficiency programs and has set a consumption target of 100 kilolitres per person per annum by 2030.

Each year, we heavily promote the summer sprinkler roster and winter sprinkler ban to the local community. During the year, 96 customers received water efficiency breach letters, with educational material.

A wet winter and Christmas/New Year period contributed to lower than expected water use in the community this year. Water consumption averaged 108kL per person this year.

We continued to foster a waterwise approach across our residential and commercial customer base through targeted waterwise messaging and engaging awareness and information campaigns. Climate change remains one of the most significant challenges to achieving our waterwise targets into the future.



Our 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, including a display at the Busselton Show in October and the Busselton Community Garden Festival the following month.

### Leak detection

Busselton Water is committed to an annual leak detection program to investigate concealed underground water leaks to reduce water wastage and improve asset reliability.

During the year, 77 kilometres of water main and service leak search auditing was undertaken by our contractor, Leak Search in the Siesta Park, Vasse, Abbey and Broadwater areas.

Thirty-seven leaks were detected and repaired, equating to savings of 4,752 litres per hour, or 41.6ML per year.



## Waterwise households in action

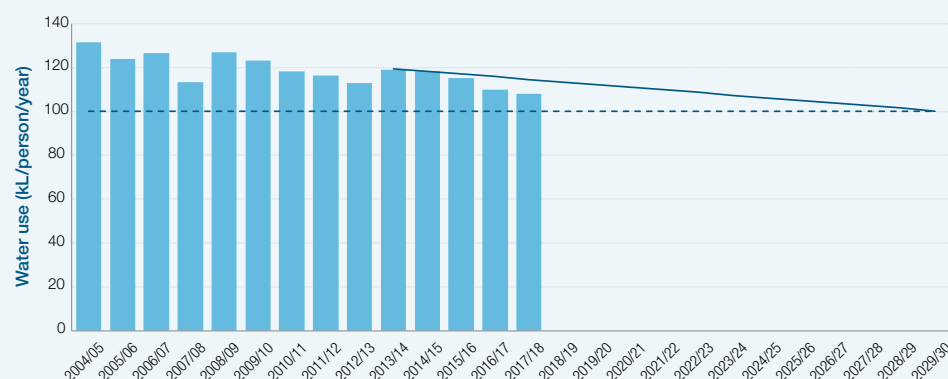
Busselton Water commended Ambergate residents Heather and Dennis Grimwood for the sustainable management of water at their 6,700sqm property in celebration of World Water Day in March 2018.

Proving size is no barrier, the couple has committed to conserving water and was recognised as exemplars of the Waterwise Household in Action program.

The Grimwoods assessed their property for water-saving opportunities and implemented a range of waterwise improvements. These included installation of a 130,000-litre tank which collects rainwater run-off from the roof (providing the majority of household water consumption needs) and a below-ground aerated wastewater treatment tank which turn sewage into a high-quality water supply for the lawn.

Local native species were also added to the garden, which is thriving without the need for reticulation, along with drought-resistant trees planted along the property boundary.

Reduction in water use to meet target  
100kL/person/year



### Carbon footprint

Busselton Water remains committed to reducing its energy use and carbon footprint. Our interconnected water treatment plant system is operated in a manner which maximises the use of off-peak power tariffs, contributing to a reduction in our energy consumption.

Energy consumption in 2017-18 was maintained at 0.6 kWh/kL – well below the target 0.7 kilowatt hours per kilolitre (kWh/kL).

In September 2017, 100kW of solar panels were commissioned at Plant 2 – which are expected to offset 15% of the electricity consumed at the site and deliver savings of up to \$40,000 each year in electricity charges.

A further 21kW of solar panels were installed at our Administration building in June, which are expected to provide around 45% of the energy requirements for the office, with a full return on investment in less than four years.

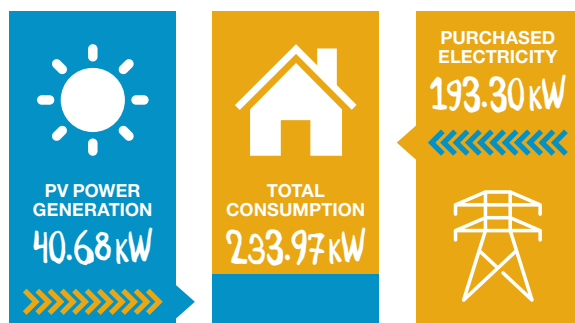
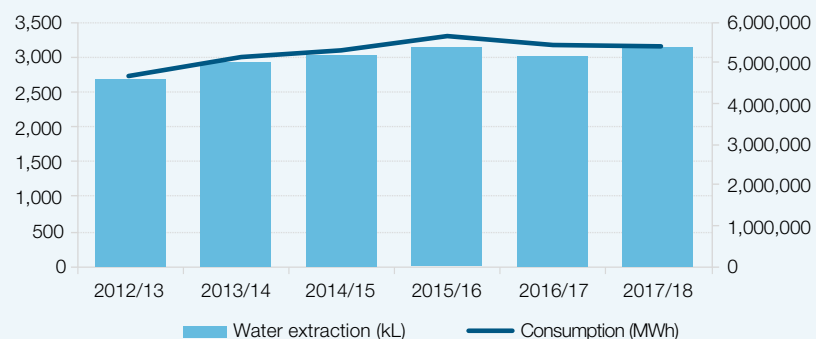
The solar installations are recommendations of our Energy Strategy, which explores opportunities for Busselton Water to increase its energy efficiency, reduce energy costs and minimise our carbon footprint. The strategy is currently under review.

The development of our 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.

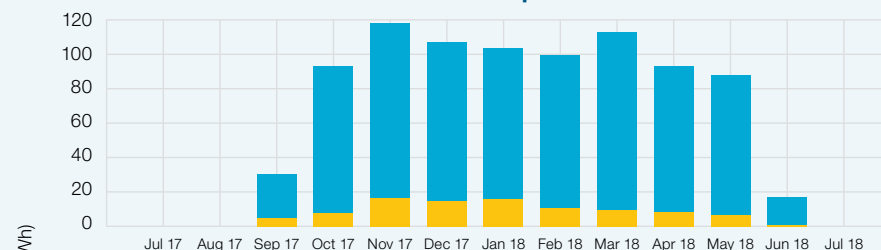


Courtesy West Australian Alternative Energy

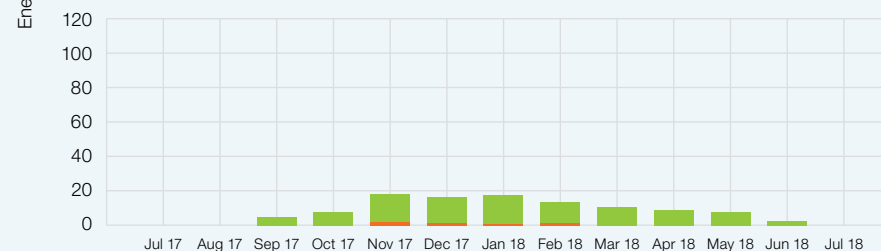
### Annual electricity consumption and water extraction



### Consumption



### Generation



### 2017-18





### **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 has negotiated 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.

Busselton Water was pleased to work with other Government agencies to proactively identify and manage

potential environmental risks in 2017-18. Local project groups on which Busselton Water is represented include the Vasse Taskforce (established to address the long term management of water quality in the Vasse-Wonnerup Estuary and assist in reducing the frequency and severity of fish kills in the Estuary) and the City of Busselton’s Environmental Reference Group.

### **Community partnerships**

Busselton Water continued its highly successful Community Partnership Program (CPP) as part of our return to the community and 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 to boost or kick-start local initiatives.

Buoyed by the awareness generated in the inaugural year prior, Busselton Water received 15 applications for CPP funding in 2017-18. Ultimately, seven groups received grants of between \$450 and \$2,250.

Long-standing sponsorships of major local events also continued in 2017-18, including the SunSmart Busselton Jetty Swim 2017 and water stations on the wharf for passengers from visiting cruise ships.



### Disabled Surfers Association South West

Busselton Water continued its long-term support for the 'Let's Go Surfing Days' at Bunker Bay to assist people with disability to try their hand at surfing in a safe and dignified way. Busselton Water provided water and catering at the four surf day events.



### Busselton Surf Lifesaving Club

Busselton Water provided funding to purchase new first aid equipment (including resuscitators and 'Annie' CPR mannequins) to train and equip club members and the local community with lifesaving skills.



### Robins Women's Hockey Club

Busselton Water's support saw the Club receive two junior goal keeping packs for its 2018 season. The kits include leg guards, leg kickers, junior helmets, foam chest guards and gloves to ensure these junior goal keepers are well protected.



### Busselton Hospice Care

Busselton Water sponsored the purchase of a 22,500-litre water tank and water pump as part of the Geographe Bay Centre garden refurbishment for visitors to enjoy the tranquil space as they access bereavement and support services.

*Photo courtesy Busselton Dunsborough Mail*



### 1st Cape Naturaliste Scout Group

Busselton Water funded the purchase and installation of a 25-litre electric hot water heater in the scout hall kitchen to help with washing dishes and the cleaning of equipment in a simpler and safer way.



### Busselton Junior Beetles Rugby

With Busselton Water's support, six first aid kits were purchased for six different age-group teams, as well as an aluminium stretcher. The Club now meets Australian Rugby Union (ARU) medical and safety requirements.



### Busselton Swimming Club

The Busselton Swimming Club was able to purchase a poolside cage to store equipment for the club's squads, including pool buoys, kickboards, snorkels and fins.

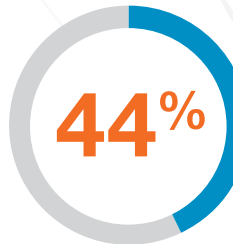




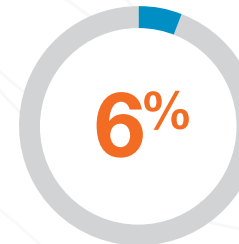
### *Diversity and Equal Employment Opportunity*

#### *An inclusive and productive workplace*

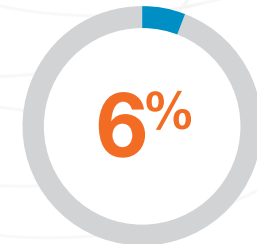
Busselton Water strengthened its commitment to supporting a workforce inclusive of diversity in 2017-18 with the ongoing implementation of the Equal Employment Opportunity (EEO) Management Plan. The plan identifies key actions for driving a supportive and enabling culture, achieving gender equality in leadership, and normalising flexible working arrangements.



FEMALE  
WORKFORCE



WORKFORCE FROM  
A CULTURALLY DIVERSE  
BACKGROUND



ABORIGINAL  
WORKFORCE



## STRATEGIC PRIORITY: Strategy and planning

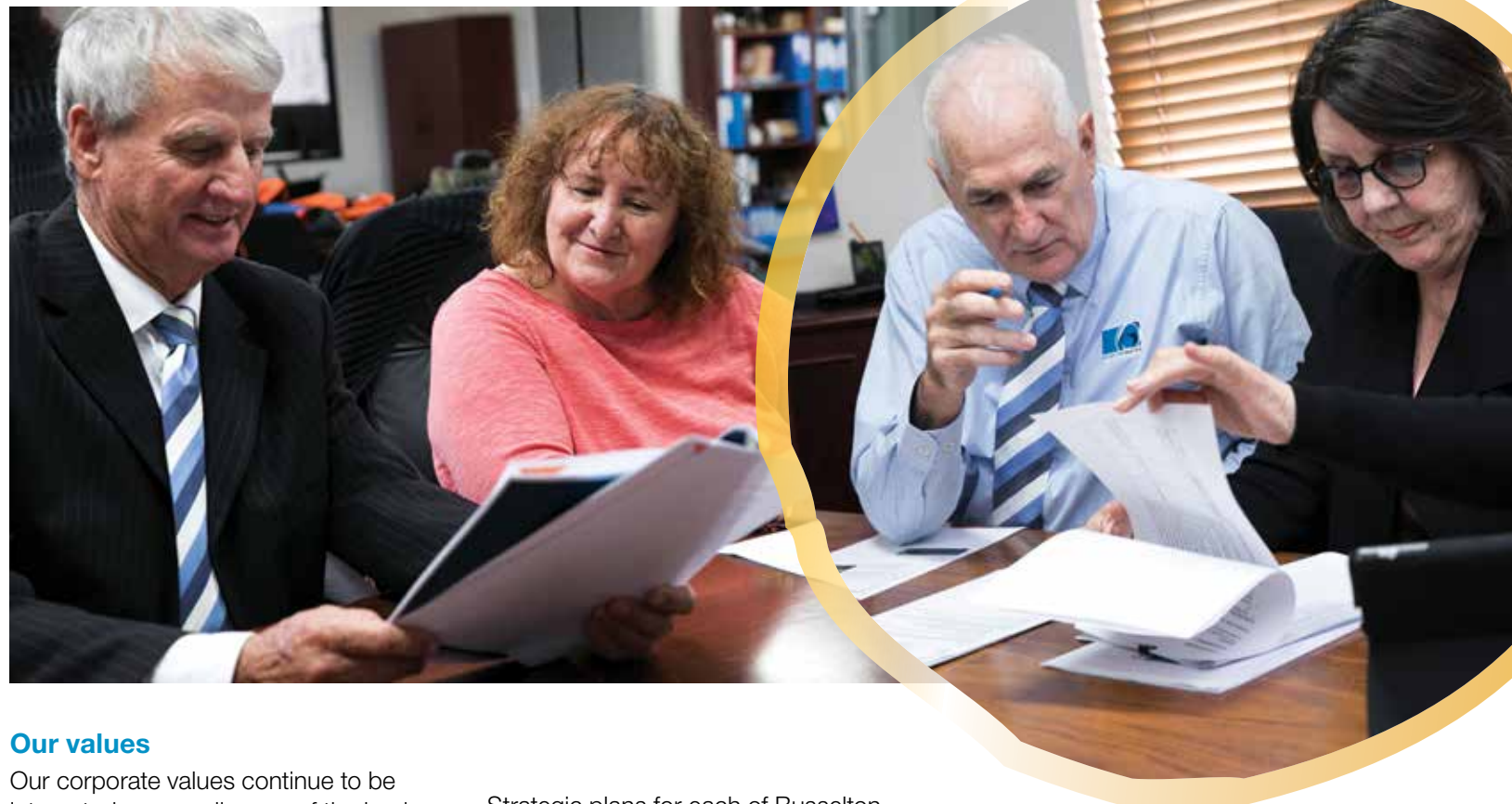
We are committed to using systems and processes to establish and communicate our purpose, vision, values and strategies and to turn strategic decisions and imperatives into actionable plans.

### Strategic planning process

Effective implementation of Busselton Water's Strategic Planning Process in 2017-18 ensured the timely completion of all seven steps in the process. These steps consider shareholder expectation, our vision and purpose, our strategic priorities, our current performance, our opportunities and challenges, our core strategies and our values.

Our corporate plans and models, including our Statement of Corporate Intent and Strategic Development Plan, were also updated and completed on schedule.

Our 2016-17 Annual Report was tabled in Parliament on 14 September 2017 and our 2017-18 Statement of Corporate Intent was tabled in Parliament on 11 December 2017.



### Our values

Our corporate values continue to be integrated across all areas of the business throughout the year.

### Our Strategic Planning Framework

Our Strategic Planning Framework continued to evolve and improve in 2017-18.

Strategic plans for each of Busselton Water's eight strategic priorities were reviewed in line with our Business Excellence Framework. The 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 updates to our Strategic Asset Plan, 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 2017-18 Busselton Water entered into the final year of our five-year Information and Communications Technology (ICT) Strategy, with a number of major items completed.

### Cyber security

Busselton Water continues to regularly assess and audit our information technology and information security.

In 2017-18 Busselton Water adopted a new digital policy in line with the whole-of-government strategy. We assessed the design and operating effectiveness of the security controls implemented throughout the organisation across multiple domains, including an assessment of our Supervisory Control and Data Acquisition (SCADA) system.

Penetration testing identifies gaps in our cyber defence and exposes vulnerable components of our network by approaching the task as an attacker. This year, our assessments continued to be carried out to provide measurable data on susceptibility of Busselton Water Board members 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).

We also commenced the development of a suite of incident management response plans, along with implementation of a structured change management program within our information technology environment.

### Intelligent Water Network trials

Busselton Water maintained its strong commitment and resolve to achieve a best practice Intelligent Water Network (IWN) solution for our business. Whilst the IWN market for Australia is rapidly developing and changing, proven technology is not yet available.





Following the successful trial of new generation, ultrasonic Intelis meters with Everblu communications in a number of properties, in 2017-18 we commenced investigation of expanded trials with alternative meter and communication vendors. The digital meters provide greater data capture and longer battery life and are a precursor to Narrowband Internet of Things (NB-IoT) compatible meters.

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 (M2M) between primary business systems for continued business improvement. On 1 July 2017 the interface between our Customer Relationship Management System and our Asset and Works Management System went live, facilitating the deployment of mobile work orders.

### Water meter geo-plotting

The GPS Capture Project continued in 2017-18 to 'geo-plot' the precise locations of water meters. A GPS device is used to gather location data, which is then overlaid on a map of the area. The program includes investigation about how Busselton Water can best use the captured coordinates and access the latest accurate digital location records, including a reduced reliance on staff knowledge. The GPS Capture Project will allow exact coordinates of the water meters to be recorded, making them quicker and easier to locate. Ultimately, the information will also be able to be accessed by customers by contacting Busselton Water. The pilot project will be completed in 2018-19.

### Financial reporting software

Busselton Water upgraded its financial software application, Synergy, to provide staff with access to a far more user-friendly platform for day-to-day reporting requirements across all areas (including payroll, debtors and creditors, human resources, and financial management and compliance reporting).

Compu-stor continued to manage the storage and disposal of records during the year.



## Innovation through information

**Busselton Water's resolve to become one of the most innovative and efficient water corporations in the country continued during the year with its senior team attending the Australian Water Association's OzWater event, Australia's biggest international water industry conference.**

The event was attended by local and international water industry representatives – facilitating robust discussion about issues facing the sector and providing a platform for information exchange.

OzWater's 'innovation hub' also allowed Busselton Water to explore the latest technologies designed specifically for the water sector. From operational improvements, generation water efficiency techniques and network management, through to strategies for managing climate change and virtual reality technology to assist in the planning of water assets – the team was exposed to some of the most innovative products and new technologies which will ultimately assist in planning and improving local services.





## 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 supported our management staff to achieve our strategic objectives by supporting them to lead, coach and develop our broader team.

The 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 was included in all staff performance agreements for the first time.

Busselton Water carried out two performance reviews in 2017-18, 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 and personal safety action plans.

### Workforce planning procedure

Busselton Water applied its workforce planning procedure during 2017-18 to assess 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

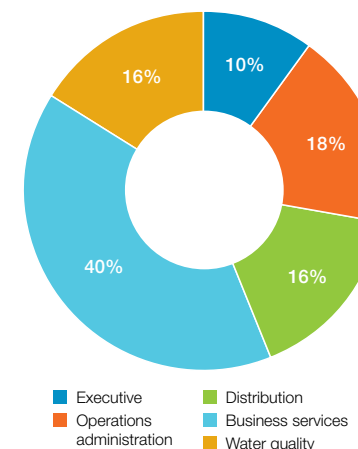
We delivered training to support water operations and ensure staff competencies and confidence to use our systems, ensuring we meet our legislative and regulatory obligations. The training was in alignment with our performance appraisal process. The technical training was supported by on the job assessment to validate training and assure competency.

This year, we also boosted our corporate training, with new courses on work health and safety, leadership, freedom of information and conflict resolution.

### New enterprise agreement

Busselton Water, our employees, and the Australian Municipal, Administrative, Clerical and Services Union (ASU) negotiated a new three-year enterprise agreement which commenced in December 2017. Key features of

Our staff profile



the agreement include alignment with Government Wages Policy and comprehensive leave provisions including Annual Leave, Personal Leave, Compassionate Leave, Parental Leave, Long Service Leave, Family Violence Leave and Study Leave.





## Golden year for workplace safety

**Busselton Water was recognised as a state leader in workplace health and safety and awarded a Gold Safe Way Achiever Award in the state-wide IFAP/CGU Safe Way Awards ceremony in April 2018. The award reflected the corporation's unparalleled commitment to safety management systems, processes and training.**

Having previously been recognised with a WorkSafe Plan Gold Achievement Award, in June 2018 an independent WorkSafe Plan assessment also confirmed retention of this Gold Achievement certification. The audit reported continued improvement and an overall rating of 86%, up from 79% in 2016.

The year's notable safety achievements also saw a new milestone reached in November – two full years without any injury – which was further recognition of Busselton Water's long standing commitment to safety. Earlier, in July, the team had also achieved two years without a lost time injury (LTI) – a stellar safety performance which continued throughout the year, taking the LTI-free period to 35 months by year end.

## Health, safety and wellbeing

An uncompromising commitment to safety resulted in a year that was Lost Time Injury (LTI) free, bringing to 36 months the total period without serious injury. There were three minor injuries reported in the period. The All Injury Frequency Rate (AIFR) slightly increased to 61.6, just below the target of 64.

Our 2018 WorkSafe Plan Assessment was conducted by independent assessor from IFAP in May 2018. The Plan is an assessment process that rates safety and health management systems and directs attention to areas that could be improved. It is used to:

- provide information on desirable safety and health management practices;
- identify strengths and weaknesses in safety and health management systems;
- provide a measure for safety and health performance
- implement a cycle of continuous improvement;
- compare performance with organisations in the same industry; and
- gain recognition for standards achieved in management of the organisation's safety and health systems.





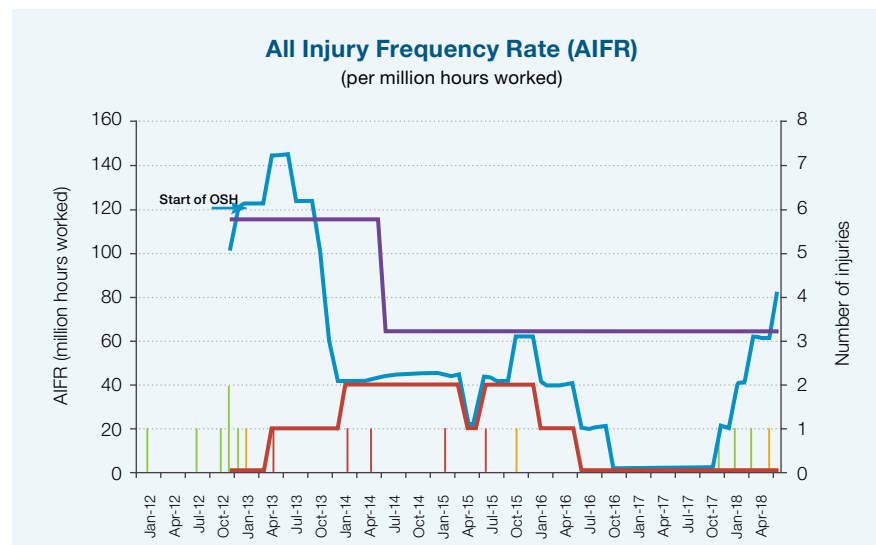
Following the 2018 assessment, the assessor reported:

“ All Busselton Water personnel; Board, Executive, management and employees are to be congratulated for the excellent performance in growth, maturity, maintenance and improvement. The overall assessment average score across all elements is 86% which represents an improvement of seven percentage points since the 2016 assessment. It can be seen clearly each element has demonstrated improvement over the last two years since the last WSP assessment.



All staff were offered voluntary skin cancer checks and flu vaccinations. Seventy-four per cent of our workforce accepted the offer for voluntary skin cancer checks and 37% accepted the offer for flu vaccinations.

Busselton Water continues to work to enhance our health, safety and wellbeing program across the business.



## STRATEGIC PRIORITY: Customers and other stakeholders

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

### Customer Advisory Group

The Busselton Water Customer Advisory Group represents our residential customers, business owners, schools and community groups. The group works closely with our Board and Executive and plays a pivotal role in helping to shape the corporation's future plans in line with the needs and expectations of our community.

This year, the group met for two full days, in November 2017 and May 2018, to discuss a range of topics and receive briefings and presentations from prominent guest speakers. Members also participated in a number of field trips including plant tours and project sites.



### Customer information

Busselton Water continued to refine and improve its range of customer materials during the year. New water quality information, project updates on major infrastructure developments, water efficiency materials, corporate documents and other information was prepared to improve awareness, understanding and customer interaction.

A number of targeted information campaigns were also delivered to customers and other stakeholders in 2017-18, including winter sprinkler ban advice; promotion of the summer watering roster; information about the new Australia Post payment option; and a year-long reminder campaign about cumulative water use and stepped billing.

A 'holiday challenge' for school-aged children was also launched in July, tasking them to become household leak detectives, with checklists and other information provided on our website.

All campaigns involved digital and traditional advertising, editorial and direct engagement with customers via our newsletter, social media or other means.







## National Water Week 2017

Busselton Water's 'Canvas your Culture' art exhibition at the Busselton Visitor Centre was the culmination of months of engagement with local schools and the broader community to celebrate National Water Week in October 2017.

The exhibition showcased local students' artworks inspired by the 2017 National Water Week theme 'Water – the Heart of our Culture'. Class groups from seven primary and five high schools across the region worked for weeks on their masterpieces, with the canvas and an art supplies voucher supplied by Busselton Water.

The winners of the art competition – the Year 6 class at West Busselton Primary School and Year 11 Visual Arts students from Busselton Senior High School – were decided by popular vote via Busselton Water's Facebook page. More than 1,600 public votes were cast in total.

“Hats off to you – you have had an impressive response to your well organised project – all the schools imagery is fantastic and I am sure all students from all ages had lots of fun producing them! Really well done – great initiative.

Busselton Senior High School





## Digital and social

Busselton Water's digital strategy continued to expand and develop across multiple platforms in 2017-18, in turn:

- modernising and improving our approach to communicating with our customers and other stakeholders;
- growing the number of channels by which we inform and engage our customers;
- enhancing the value of our community partnerships through online interaction and promotion;
- improving the reach and impact of our water efficiency programs; and
- establishing faster and more cost effective communication and information channels for our customers.

Since the refreshed website was launched in September 2017, almost 9,000 unique users visited the website almost 15,000 times during the year. The vast majority (82%) of these users had not visited the Busselton Water website previously.

Similarly, the growth of the Facebook page more than doubled over the year, with 'likes' growing on average by 25 per month. Critically, the reach of the

Facebook page moved well beyond page likes, with an average of 7,310 people reached each month. More than 250 posts were published in FY18, promoting all aspects of the business. Content focused on waterwise habits and tips (including showcasing successful local waterwise businesses and households), staff profiles, business information (e.g. opening hours), community events and sponsorships, national and international 'days' of relevance, water-saving calls to action, water industry information, and scheduled maintenance.

Busselton Water's company LinkedIn page was also established in February 2018.

During the year, we continued to work with our system provider on the development of a 'my account' web portal for customers. The portal is scheduled to go live in October 2018.

## Expanded payment channels

Our contract with Australia Post to offer across-the-counter payment options at any post office in Australia became active on 1 February 2018. The new payment method was introduced to offer greater choice to customers, as part of our ongoing commitment to provide customer-focused services.

## 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 was completed and gazetted in February 2018 and the new standards will come into full effect on 1 July 2018.

## 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 278, a slight decrease on 2017 at 310.

## Vasse Taskforce

In 2017-18 Busselton Water maintained its role 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 customers and other stakeholders.

### Water quality

Our commitment to achieving 100% compliance with health related and non-health related water quality criteria in the Australian Drinking Water Guidelines (ADWG) (2004) is firmly established and is ensured through our Memorandum of Understanding (MoU) with the Department of Health, which was amended and further extended to 30 November 2018.

Health related characteristics	% compliance with MoU
Escherichia coli	100
Naegleria	100
Chemical	100
Pesticides	100
Radiological	100

Busselton Water continued to achieve exceptional water quality results in 2017-18. Our water supply to customers continued to achieve 100% compliance with the ADWG and MoU.

Our water is sourced from eight bores constructed in the Yarragadee and Leederville aquifers, which are located within the Busselton/Capel groundwater area. In 2017-18, 5.35GL of groundwater was extracted and 5.22GL of drinking water was produced – the highest amount on record.

We maintained, operated and managed three water treatment plants, five storage tanks and 325 kilometres of distribution mains. The raw groundwater generally had turbidity and iron concentrations which were removed using chlorine and aeration for oxidation followed by gravity filtration. Drinking water was disinfected with chlorine prior to storage and distribution to consumers.

During 2017-18, Busselton Water also 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 our monitoring points system and completed a comprehensive water sampling program, achieving full compliance with both health and non-health related water quality parameters in the ADWG. This included taking weekly water samples and resulted in a total of more than 3,500 water quality samples taken during the year.

A project commenced to upload all historical water sampling results into our Water Information System, built on the INX Inviron software. Future

sample results will be delivered automatically from the laboratory to the Water Information System. Any (rare) results that exceed health limits will be automatically reported to our management team.

All groundwater licence conditions and requirements were also met.

### Working with the Department of Health

Busselton Water continued to meet all the requirements of our MoU with the Department of Health in 2017-18. During the reporting period, our Water Quality Committee met quarterly with the Department of Health to review water quality results and discuss relevant legislation and research.



As part of the regulation updates, Busselton Water also commenced preparations to work with the Department of Health towards full implementation of the ADWG (2011).

Also in 2017-18, we revised and updated our Drinking Water Safety Plan. The plan, which is a requirement of our MoU, outlines our existing alignment with the ADWG 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 2017-18 there were 17 water quality complaints received. Seven complaints related to taste and odour and seven to discoloured water.

### Managing our assets

Busselton Water continued its focus on asset condition, asset maintenance and assessment of all operational risks. Review of changing business drivers identified salt water intrusion as a major, future threat to our groundwater resources. Busselton Water's long term capital works program was adjusted accordingly.

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.

The 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 \$2.5 million capital works program was delivered in 2017-18. The program focused on three major projects – the renewal of the aged gravity filters at Plant 1, and the design and construction of a major pipeline and booster pumping station at the proposed Plant 8 (Busselton Margaret River Airport) site. At year end, these projects were on schedule for completion in late-2018.

Item	2017-18 actual (\$m)
New trunk mains	0.7
Mains replacement	0.3
New/replace infrastructure	0.9
Land, building and offices	0.1
New service connections	0.2
Vehicle and mobile plant replacements	0.1
Information, communication and technology	0.2
<b>Total</b>	<b>2.5</b>



### 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 ADWG.

During the year, all three treatment plants operated normally. In May 2018, Plant 1 was taken out of service to allow for the deconstruction of the aged filters. The new filters have been designed and construction has commenced under a major contract with engineering construction company, Leicon Notley.

### Mobile technology and automated work flows

Busselton Water completed upgrades to its integrated asset management system (ConfirmConnect) to facilitate fully automated works planning and scheduling applications.

The new system enables supervisors to create, view, and allocate jobs

electronically, allowing immediate overview of total individual and team workloads. Efficiency improvements in work order management delivered increased productivity and reduced paperwork.

### Other asset management

Also this year:

- our Strategic Asset Plan (SAP) was finalised and submitted to Treasury;
- our field work orders were issued electronically via Pitney Bowes 'Confirm Connect' software to field workers' tablets (rather than via paper); and
- as part of our business excellence framework improvements, an Asset Management Strategy was developed using the internationally recognised standard ISO 55001 as the benchmark.

## 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 2017-18 results under the headings Financial Performance, Business Performance and Management Trends. These results show targets were met at a consistently high level without any significant variances.

### Best practice top 20 small agency

For the third successive year, Busselton Water was named in the Auditor General's Audit Results Report for 2016-17 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 and diversifying our existing water services.

Census data shows the Busselton local government area remains one of the fastest growing regional areas in Australia. Forecasts indicate Busselton's residential population will reach 43,000 by 2030 and 68,000 by 2050.

The Economic Regulation Authority's 2016-17 report on water, sewerage and irrigation performance recognised land development growth as the primary driver for water supply infrastructure. The report recorded Busselton is growing at 2.3% per annum, ahead of other Western Australian regional towns at 1.7% per annum and Perth at 1.9% per annum.

In line with these prospects – and a key finding of Busselton Water's 50-year water demand forecast – is that demand for water in Busselton will more than double, from five billion litres to more than 10 billion litres per annum by 2060 without achieving water use efficiencies,



or more than seven billion litres per annum with water use efficiencies.

This year, 278 new properties were connected to the Busselton Water network. The combined effect of climate impacts and water efficiency initiatives resulted in water consumption in 2017-18 reaching 5.35GL, up 3.7% on last year. The average volume of household water use reduced by 5kL from 274kL to 269kL per year.

Busselton Water has a long term agreement with the Water Corporation to augment Dunsborough's daily water supply on an as-required basis. Continued strong growth in Dunsborough saw the annual volume of water exported to this area increase by 24%.



# Corporate governance report

## Corporate governance

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

Our corporate governance framework is outlined following.

### 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

Mr Paul Carter vacated his position on 12 September 2017.

Ms Christine Kershaw was appointed as a member for a term of three years expiring on 31 May 2020.

Mr Geoffery Oddy was reappointed for a term of three years to May 2020.

### 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.

### Related party disclosures

The Board Charter and Busselton Water Code of Conduct require Key Management Personnel (Board Directors and Senior Executive) to provide details of any controlled (or jointly controlled) entities; and details of any transactions, to the best of their knowledge, between themselves or related parties.

The objective is to ensure that Busselton Water's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and financial performance may have been affected by related party disclosures.

### 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 (SDP), Statement of Corporate Intent (SCI), Strategic Asset Plan (SAP), 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 SCI to provide direction for the coming 12 month period. The five-year SDP 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.

The Board also prepares a SAP 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 – 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 Angus Smith and includes Mr Chris Boulton and Mr Geoff Oddy. Each member has considerable corporate and financial experience and the skills to undertake the Committee's responsibilities.

The Committee oversees the internal audit function and liaises with the external auditor.

The Audit Committee scope includes all audit related activities within the business. The Committee assists the Board in adding value and improving the organisations operations. It helps Busselton Water accomplish its objectives by bringing a planned, systematic and disciplined approach to evaluate and improve the effectiveness of financial and other business processes and controls.

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, 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, 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.

### 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 [www.busseltonwater.wa.gov.au](http://www.busseltonwater.wa.gov.au). Its purpose is to provide members of the public with information about how to access documents we may hold.

During the year, no requests for information were made.

### Reportable expenditure

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 2017-18 was \$288,246.

Expenditure was incurred in the following areas:

Expenditure	Amount paid
<b>Media advertising organisations</b>	
Rural Press Regional Media	\$1,356
Marketforce Productions	\$25,195
<b>Direct mail organisations</b>	
Zipform	\$13,623
<b>Market research organisations</b>	
Mills Wilson	\$248,072
<b>TOTAL</b>	<b>\$288,246</b>



## Directors' report

The Directors of Busselton Water present their report for the 12-month period ending 30 June 2018.

### 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

#### Matthew Walker (Deputy Chair)

Director since: January 2013

#### Christopher Boulton

Director since: June 2012

#### William Angus Smith

Director since: August 2013

#### Geoffery Oddy

Director since: October 2014

#### Christine Kershaw

Director since: September 2017

Please also see details of the Directors' qualifications and experience on pages 15 and 16.

### Directors' meetings

Attendance by Directors at meetings held during the financial year ended 30 June 2018 is set out in the following table:

Director	Board		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Helen Shervington	11	11		
Matthew Walker	11	10		
Christopher Boulton	11	10	3	3
William Angus Smith	11	11	3	3
Geoffery Oddy	11	10	3	3
Christine Kershaw	9	6		

Board meetings are held monthly. The Audit Committee meet three times per year.

### Senior Executive

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

Four highest paid employees	Title	Year ended 30 June 2018	Year ended 30 June 2017
Christopher Elliott	Chief Executive Officer	✓	✓
Peter Addison	General Manager Operations	✓	✓
Monica Birkner	General Manager Business Services	✓	
Diane Depiazz	Manager Finance	✓	✓

### 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 5.35GL of drinking water.

Busselton Water made a profit before tax of \$4.9 million in 2017-18, (2016-17: \$3.3 million) and an after tax profit of \$3.4 million (2016-17: \$2.1 million).

### Dividends

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

Date of	Amount \$m	Date of payment
Final 2016-17	1,408,625	19/12/2017

## Dividends declared after end of year

After the balance sheet date, the Directors have proposed a final dividend of \$1.5 million for 2017-18, payable on or before 31 December 2018.

The financial impact of the dividend has not been brought to account in the financial statements for the year ended 30 June 2018 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 2017-18.

## Remuneration report

### Director's 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 <sup>1</sup>		Short-term remuneration		Post-employment superannuation		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
\$			\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
0-10,000	1 <sup>2</sup>	1 <sup>2</sup>	2	-	-	-	2	-
10,001-20,000	5	4	59	13	6	1	65	14
20,001-30,000	1	1	25	25	2	2	27	27
<b>Total</b>	<b>7</b>	<b>6</b>	<b>86</b>	<b>38</b>	<b>8</b>	<b>3</b>	<b>94</b>	<b>41</b>

<sup>1</sup> Where there is more than one Director in a remuneration band the average remuneration is shown

<sup>2</sup> 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

### 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 Staff <sup>1</sup>		Short-term remuneration <sup>2</sup>		Performance Related Pay <sup>3</sup>		Post-employment superannuation		Other long term benefits <sup>4</sup>		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
\$			\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
0-50,000	1	-	16	-	-	-	2	-	-	-	18	-
150,001-200,000	2	1	287	140	-	-	27	13	2	(1)	316	152
200,001-250,000	-	1	-	188	-	-	-	16	-	(2)	-	202
250,001-300,000	-	1	-	254	-	38	-	22	-	(10)	-	304
300,001-350,000	1	-	252	-	53	-	22	-	17	-	344	-
<b>Total</b>	<b>4</b>	<b>3</b>	<b>555</b>	<b>582</b>	<b>53</b>	<b>38</b>	<b>51</b>	<b>51</b>	<b>19</b>	<b>(13)</b>	<b>678</b>	<b>658</b>

<sup>1</sup> Where there is more than one employee in a remuneration band the average remuneration is shown

<sup>2</sup> Includes base remuneration and non-monetary benefits

<sup>3</sup> Performance Related Pay is a variable reward, approved by the Board, based on pre-determined targets being achieved

<sup>4</sup> Other long-term benefits refer to leave provisions



### 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 2018 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 2018 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 2018, 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 2018, 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 2018, 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

**Matthew Walker**  
Deputy Chair

Busselton, 20 August 2018

The background features a series of overlapping, thin white circles of varying sizes, creating a sense of depth and movement. A prominent, thick, dark green wavy line curves across the lower half of the image, adding a dynamic element to the composition. The overall color palette is a range of green tones, from light to dark.

# Financial Report

for the year ended 30 June 2018



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**DIRECTORS' DECLARATION**

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**INDEPENDENT AUDITOR'S REPORT**

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**STATEMENT OF COMPREHENSIVE INCOME**

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**STATEMENT OF FINANCIAL POSITION**

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**STATEMENT OF CHANGES IN EQUITY**

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**STATEMENT OF CASH FLOWS**

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**NOTES TO THE FINANCIAL STATEMENTS**

Note 1	Basis of Preparation
Note 2	Inventories
Note 3	Disclosure of Changes in Accounting Policy and Estimates
Note 4	Revenue
Note 5	Expenses
Note 6	Financing
Note 7	Key Assets
Note 8	Other Assets and Liabilities
Note 9	Risks and Contingencies
Note 10	Other Disclosures
Note 11	Taxation Equivalents
Note 12	Joint Operations

## 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 2018 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



**Angus Smith**  
Member, Busselton Water Corporation

Date: 27 August 2018



## 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 2018, 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 2018 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 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 2018 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.

SANDRA LABUSCHAGNE  
ACTING DEPUTY AUDITOR GENERAL  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
30 August 2018



## Statement of Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>INCOME</b>			
<b>Revenue</b>			
Water Sales Revenue	4.1	9,821,231	9,119,428
Operating Subsidy Contributions	4.2	523,000	527,192
Developer Contributions - Headworks	4.3	2,839,433	1,726,710
Developer Contributions - Mains	4.3	338,854	268,438
Interest Revenue	4.4	318,042	333,609
Other Revenue	4.5	428,361	272,870
<b>TOTAL INCOME</b>		<b>14,268,921</b>	<b>12,248,247</b>
<b>EXPENSES</b>			
Cost of Sales	5.1	3,459,414	3,176,764
Depreciation Expense	5.2	2,192,758	2,447,500
Administration Expenses	5.3	2,409,095	2,060,004
Finance Costs	5.4	68,475	80,337
Other Expenses	5.5	1,225,519	1,213,567
Loss on Disposal of Non-current Assets	5.6	6,828	-
Impairment of Non-current Assets	7.3	24,242	-
<b>TOTAL EXPENSES</b>		<b>9,386,331</b>	<b>8,978,172</b>
<b>Profit before income tax equivalent expense</b>		<b>4,882,590</b>	<b>3,270,075</b>
Income Tax Equivalent Expense	11	(1,451,395)	(1,176,685)
<b>Profit after income tax equivalent expense</b>		<b>3,431,195</b>	<b>2,093,390</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not reclassified subsequently to profit or loss</b>			
Changes in asset revaluation surplus	10.5	1,172,510	136,389
<b>Total Other Comprehensive Income</b>		<b>1,172,510</b>	<b>136,389</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>4,603,705</b>	<b>2,229,779</b>

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

**Statement of Financial Position**

as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6.1.1	860,493	1,404,806
Other Financial Assets	6.1.1	12,000,000	11,150,000
Trade and other receivables	8.1	4,060,111	2,758,382
Inventories		517,292	473,456
Other Current Assets	8.2	131,272	45,394
Current Tax Assets		-	277,281
<b>Total Current Assets</b>		<b>17,569,168</b>	<b>16,109,319</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7.1	71,451,974	71,034,300
Intangible Assets	7.2	396,918	258,239
<b>Total Non-Current Assets</b>		<b>71,848,892</b>	<b>71,292,539</b>
<b>TOTAL ASSETS</b>		<b>89,418,060</b>	<b>87,401,858</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	8.3	1,331,991	1,187,920
Borrowings	6.2	281,107	268,698
Provisions	8.4	891,162	877,002
Current Tax Liabilities		73,906	-
Other Current Liabilities	8.5	68,161	65,462
<b>Total Current Liabilities</b>		<b>2,646,327</b>	<b>2,399,082</b>
<b>Non-Current Liabilities</b>			
Provisions	8.4	77,348	51,243
Borrowings	6.2	841,796	1,122,903
Deferred Tax Liabilities	11	11,571,171	12,742,292
<b>Total Non-Current Liabilities</b>		<b>12,490,315</b>	<b>13,916,438</b>
<b>TOTAL LIABILITIES</b>		<b>15,136,642</b>	<b>16,315,520</b>
<b>NET ASSETS</b>		<b>74,281,418</b>	<b>71,086,338</b>
<b>EQUITY</b>			
Reserve Fund	10.5	13,379,026	11,858,009
Reserves		34,863,042	33,690,532
Retained Earnings		26,039,350	25,537,797
<b>TOTAL EQUITY</b>		<b>74,281,418</b>	<b>71,086,338</b>

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

## Statement of Changes in Equity

for the year ended 30 June 2018

	Notes	Reserves \$	Retained Earnings \$	Total Equity \$
<b>Balance as at 1 July 2016</b>	<b>10</b>	<b>44,628,884</b>	<b>25,691,416</b>	<b>70,320,300</b>
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	-
<b>Transactions with owners, recorded directly in equity</b>				
Dividends paid		-	(1,463,741)	(1,463,741)
<b>Total transactions with owners</b>		<b>-</b>	<b>(1,463,741)</b>	<b>(1,463,741)</b>
<b>Balance at 30 June 2017</b>		<b>45,548,541</b>	<b>25,537,797</b>	<b>71,086,338</b>
<b>Balance as at 1 July 2017</b>	<b>10.5</b>	<b>45,548,541</b>	<b>25,537,797</b>	<b>71,086,338</b>
Total comprehensive income for the year		1,172,510	3,431,195	4,603,705
Transfers to reserves		3,002,843	(3,002,843)	-
Transfers from reserves		(1,481,826)	1,481,826	-
<b>Transactions with owners, recorded directly in equity</b>				
Dividends paid		-	(1,408,625)	(1,408,625)
<b>Total transactions with owners</b>		<b>-</b>	<b>(1,408,625)</b>	<b>(1,408,625)</b>
<b>Balance at 30 June 2018</b>		<b>48,242,068</b>	<b>26,039,350</b>	<b>74,281,418</b>

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



## Statement of Cash Flows

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Receipts from Rates & Water Sales		9,024,023	9,258,293
Interest Received		345,112	316,274
Developers Contributions		2,897,548	1,779,925
GST Receipts on Sales		99,443	27,898
GST Receipts From Taxation Authority		467,574	540,921
Other Receipts		(287,316)	392,698
		<b>12,546,384</b>	<b>12,316,009</b>
<b>Payments</b>			
Payment to Suppliers & Employees		(6,873,640)	(6,952,647)
Finance Costs		(68,475)	(80,337)
GST Payments on Purchases		(545,998)	(505,492)
		<b>5,058,271</b>	<b>4,777,533</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	6.1.2	<b>5,058,271</b>	<b>4,777,533</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from the Sale of Non-Current Physical Assets		15,964	-
Purchase of Non-Current Physical Assets		(2,515,406)	(1,633,428)
		<b>(2,499,442)</b>	<b>(1,633,428)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings		(268,698)	(256,838)
		<b>(268,698)</b>	<b>(256,838)</b>
<b>CASH FLOWS TO STATE GOVERNMENT</b>			
Operating Subsidy Contributions		523,000	527,192
Taxation Equivalent		(1,098,819)	(1,445,980)
Dividends Paid		(1,408,625)	(1,463,741)
		<b>(1,984,444)</b>	<b>(2,382,529)</b>
<b>NET CASH PROVIDED TO STATE GOVERNMENT</b>		<b>(1,984,444)</b>	<b>(2,382,529)</b>
Net increase / (decrease) in cash and cash equivalents		305,687	504,738
Cash and cash equivalents at the beginning of period		12,554,806	12,050,068
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6.1.1	<b>12,860,493</b>	<b>12,554,806</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 1 Basis of Preparation

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 WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The entity is a not-for-profit entity (as profit is not its principal objective).

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.

A description of the nature of its operations and its principal activities has been included in "Our Business" section which does not form the part of these financial statements.

#### (a) General Statement and Statement of Compliance

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.

The Water Corporations Act takes precedence over AAS.

#### (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 and is disclosed in the associated note.

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.

#### (c) Judgements and estimates

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.

Judgements, estimates and assumptions are required to be made about financial information being presented. Busselton Water evaluates these judgements regularly.

The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes, along with the policy description, where amounts affected by those judgements and/or estimates are disclosed

Key estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances, and that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next reporting period.

### Note 2 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.

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 3 Disclosure of Changes in Accounting Policy and Estimates

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

Busselton Water has not applied early any of the following Australian Accounting Standards that have been issued that may impact Busselton Water. Where applicable, Busselton Water plans to apply the following Australian Accounting Standards from their application date. The likely impact on the financial statements has not been determined.

		<i>Operative for reporting periods beginning on/after</i>
<b>AASB 9</b>	<b><i>Financial Instruments</i></b> This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 Amendments to Australian Accounting Standards.	1 Jan 2018
<b>AASB 15</b>	<b><i>Revenue from Contracts with Customers</i></b> This Standard establishes the principles that the agency 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. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016 7.	1 Jan 2019
<b>AASB 16</b>	<b><i>Leases</i></b> 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.	1 Jan 2019
<b>AASB 1058</b>	<b><i>Income of Not-for-Profit Entities</i></b> 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 other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.	1 Jan 2019
<b>AASB 1059</b>	<b><i>Service Concession Arrangements: Grantors</i></b> This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided.	1 Jan 2019
<b>AASB 2010-7</b>	<b><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</i></b> This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018.	1 Jan 2018



## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 3 Disclosure of Changes in Accounting Policy and Estimates (continued)

		<i>Operative for reporting periods beginning on/after</i>
<b>AASB 2014-1</b>	<b><i>Amendments to Australian Accounting Standards</i></b> Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards.	1 Jan 2018
<b>AASB 2014-5</b>	<b><i>Amendments to Australian Accounting Standards arising from AASB 15</i></b> This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015 8 to 1 January 2018.	1 Jan 2018
<b>AASB 2014-7</b>	<b><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></b> This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014).	1 Jan 2018
<b>AASB 2016-3</b>	<b><i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i></b> 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.	1 Jan 2018
<b>AASB 2016-8</b>	<b><i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for Profit Entities</i></b> 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.	1 Jan 2019

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 4 Revenue

Revenue is recognised for the major business activities as follows:

	Notes
Water sales revenue	4.1
Operating subsidy contributions	4.2
Developer contributions	4.3
Interest revenue	4.4
Other revenue	4.5

#### 4.1 WATER SALES REVENUE

	2018	2017
	\$	\$
Water Consumption	6,259,439	5,727,966
Connection Fees	371,173	369,668
Standard Supply Charge	3,111,421	2,945,488
Meter Reading Charges	30,790	30,873
Other Water Sales	48,408	45,433
	<b>9,821,231</b>	<b>9,119,428</b>

Revenue is recognised and measured at the fair value of consideration received or receivable.

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.

#### 4.2 OPERATING SUBSIDY CONTRIBUTIONS

	2018	2017
	\$	\$
Operating Subsidy Contributions	523,000	527,192
	<b>523,000</b>	<b>527,192</b>

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 Subsidies 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.

#### 4.3 DEVELOPER CONTRIBUTIONS

	2018	2017
	\$	\$
Headworks contributions - Cash	2,839,433	1,726,710
	<b>2,839,433</b>	<b>1,726,710</b>
Developer mains contributions - Cash	58,115	53,215
Developer mains contributions - Non-Cash	280,739	215,223
	<b>338,854</b>	<b>268,438</b>

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.

#### 4.4 INTEREST REVENUE

	2018	2017
	\$	\$
Busselton Water invested excess funds and received the following interest:		
Interest on Water Fund	58,092	50,803
Interest on Reserves	259,950	282,806
	<b>318,042</b>	<b>333,609</b>

Revenue is recognised as the interest accrues.

#### 4.5 OTHER REVENUE

	2018	2017
	\$	\$
Backflow Prevention Device Testing Fees	33,104	25,546
Private Works & Sundry Income	104,916	22,407
Operating lease revenue	20,862	12,950
Meter Reading	53,246	53,975
Other Receipts & Services	216,233	157,992
	<b>428,361</b>	<b>272,870</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 4 Revenue (continued)

Other revenue includes revenue, fees and charges relating to operating lease revenue, backflow testing fees, statement of meter readings, private works and other miscellaneous revenue received.

Other receipts and services includes revenue from miscellaneous income, housing authority reimbursements, penalties raised, and hydrant hire.

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:

	2018	2017
	\$	\$
Within 1 year	21,429	20,743
Later than 1 year and not later than 5 years	93,041	89,063
Later than 5 years	25,216	23,862
	<b>139,686</b>	<b>133,668</b>

### Note 5 Expenses

	Notes
Cost of sales	5.1
Depreciation	5.2
Administration expenses	5.3
Finance costs	5.4
Other expenses	5.5
Net gain/(loss) on disposal of non-current assets	5.6

#### 5.1 COST OF SALES

	2018	2017
	\$	\$
Pumping	636,286	655,360
Maintenance: General Production Plant	1,341,802	1,175,195
Mains & Meters	911,716	769,769
Net Vehicle Running Expenses	59,261	53,698
Net Operations Overhead	(68,193)	62,994
Net Stock Allocated	33,703	(11,356)
Meter Reading Costs	20,941	19,963
Water Sampling & Monitoring Fees	523,898	451,141
	<b>3,459,414</b>	<b>3,176,764</b>

Cost of sales represents the costs incurred for water treatment, operation of bores, maintenance of mains and meters, water quality, and the related materials, labour and depreciation expenses related to these processes.

#### 5.2 DEPRECIATION EXPENSE

	2018	2017
	\$	\$
Freehold Land Improvements	49,787	59,315
Plant and Machinery	593,301	878,770
Buildings	118,779	122,309
Motor Vehicles	66,951	66,844
Mains and Services	808,974	799,564
Meters	469,165	430,561
Tools	2,455	2,549
Office Equipment	22,335	18,471
Intangibles	61,011	69,117
	<b>2,192,758</b>	<b>2,447,500</b>

#### 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
Intangibles	2 to 13 Years
Land	Not depreciated



## Notes to the Financial Statements

for the year ended 30 June 2018

### 5.3 ADMINISTRATION EXPENSES

	2018	2017
	\$	\$
Salaries	1,350,458	1,146,061
Superannuation Expenses	157,617	137,506
Office Expenses	767,227	632,645
Stationery & Printing	29,083	27,601
Advertising	761	-
Bank Charges	22,486	21,679
Audit Fees	54,417	62,973
Legal Expenses	2,137	380
Other Administration Expenses	23,059	31,159
Bad Debts Written Off	1,850	-
	<b>2,409,095</b>	<b>2,060,004</b>

Salaries: Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, and termination payments.

Superannuation expenses: The amount recognised in the profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to superannuation funds. The agency does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees.

The remaining costs above are administration costs involved in running the day-to-day activities of the business. All expenses are recognised in the period in which they are incurred.

### 5.4 FINANCE COSTS

	2018	2017
	\$	\$
Loan Guarantee Fee	9,861	9,861
Interest Expense	58,614	70,476
	<b>68,475</b>	<b>80,337</b>

Finance costs include a loan guarantee fee and interest expenses incurred in the connection with borrowing of funds from the Western Australia Treasury Corporation (note 6.2).

### 5.5 OTHER EXPENSES

	2018	2017
	\$	\$
Members Expenses	128,883	121,260
Other Governance	258,737	215,559
Pensioner Rate Rebate	513,605	516,343
Consulting Fees	72,130	175,843
Private Works	6,964	20,586
Other Costs & Staff Expenses	245,200	163,976
	<b>1,225,519</b>	<b>1,213,567</b>

Pensioner rebates are rebates and concessions provided to Pensioners, Seniors and various exempt bodies on annual service charges and water consumption charges.

Other costs and staff expenses include employee provision movements, staff insurances, training costs, payroll tax and other staff related expenses to the day-to-day running costs incurred in normal operations.

### 5.6 LOSS ON DISPOSAL OF NON-CURRENT ASSETS

	2018	2017
	\$	\$
<u>Cost of Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	22,792	-
<u>Proceeds from Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	(15,964)	-
<b>Net (gain)/loss</b>	<b>6,828</b>	<b>-</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 6 Financing

This section set out the material balances and disclosures associated with the financing and cashflow of Busselton Water Board.

	Notes
Cash and Cash Equivalents	6.1
Reconciliation of Cash	6.1.1
Reconciliation of Operating Activities	6.1.2
Borrowings	6.2
Commitments	6.3
Non-cancellable operating lease commitments	6.3.1
Capital commitments	6.3.2
Other expenditure commitments	6.3.3

#### 6.1 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.

##### 6.1.1 Reconciliation of cash

	2018 \$	2017 \$
<b>Cash and cash equivalents</b>		
<u>Water Fund Cheque Account (at 1.4% as at 30.06.2018 (2017: 1.4%))</u>		
The Corporation has an overdraft limit of \$15,000 on this account.	849,393	743,706
<u>24 Hour Cash Call Account (at 1.4% as at 30.06.2018 (2017: 1.4%))</u>	10,000	660,000
<u>Cash on Hand</u>	1,100	1,100
	<b>860,493</b>	<b>1,404,806</b>

#### Investments and other financial assets

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

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

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

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

	2018 \$	2017 \$
<u>Fixed Term Deposits Held to Maturity</u>		
Reserve Investments: (at 2.58% average (2017: 2.69%))	10,450,000	10,450,000
Water Fund Investments: (at 2.58% average (2017: 2.60%))	1,550,000	700,000
	<b>12,000,000</b>	<b>11,150,000</b>
<b>Cash and cash equivalents</b>	<b>12,860,493</b>	<b>12,554,806</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

### 6.1.2 Reconciliation of profit after income tax equivalent to net cash flow provided by/(used in) operating activities

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:

	2018 \$	2017 \$
Cash and cash equivalents	860,493	1,404,806
Other Financial Assets	12,000,000	11,150,000
	<b>12,860,493</b>	<b>12,554,806</b>
Profit after Income Tax Equivalents	<b>3,431,195</b>	<b>2,093,390</b>
<u>Non-cash Items:</u>		
Depreciation	2,192,758	2,447,500
Doubtful Debts Expense	1,850	-
Loss on Sale of Assets	6,828	-
Impairment Losses	24,242	-
Developer Contributed Assets	(280,739)	(215,223)
Income Tax Expense	1,451,395	1,176,685
Operating Subsidy Contributions from Government	(523,000)	(527,192)
<u>(Increase)/decrease in assets:</u>		
Current Receivables	(1,424,808)	243,171
Current Inventories	(43,836)	(58,700)
Prepayments	85,878	2,894
<u>Increase/(decrease) in liabilities:</u>		
Current Payables <sup>(a)</sup>	106,263	(340,476)
Current Provisions	14,160	36,309
Non-Current Provisions	26,105	(18,750)
Net GST receipts/(payments) <sup>(b)</sup>	21,018	63,327
Change in GST in receivables/payables <sup>(c)</sup>	(31,038)	(125,402)
<b>Net cash provided by/(used in) operating activities</b>	<b>5,058,271</b>	<b>4,777,533</b>

(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.

### 6.2 BORROWINGS

	2018 \$	2017 \$
<u>Current</u>		
Western Australia Treasury Corporation Loan (WATC)	281,107	268,698
<b>Total current</b>	<b>281,107</b>	<b>268,698</b>
<u>Non-Current</u>		
WATC Loan	841,796	1,122,903
<b>Total Non-current</b>	<b>841,796</b>	<b>1,122,903</b>

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. \$268,698 was repaid during the year (2017: \$256,838).

### 6.3 COMMITMENTS FOR EXPENDITURES

#### 6.3.1 Non-cancellable operating lease commitments

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. An option exists to extend the term for a further period if required by the Lessee. 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.

	2018 \$	2017 \$
Commitments for minimum lease payments are payable as follows:		
Within 1 year	148,746	182,232
Later than 1 year and not later than 5 years	117,618	156,327
	<b>266,364</b>	<b>338,559</b>



## Notes to the Financial Statements

for the year ended 30 June 2018

### 6.3.2 Capital Expenditure Commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

Within 1 year

	2018	2017
	\$	\$
	2,314,606	272,606
	<b>2,314,606</b>	<b>272,606</b>

Figures reported include GST.

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

### 6.3.2 Other Expenditure Commitments

Other expenditure commitments, contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year

	2018	2017
	\$	\$
	120,898	91,634
	<b>120,898</b>	<b>91,634</b>

Figures reported include GST.

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

### Note 7 Key Assets

This section includes information regarding the key assets Busselton Water Board utilises to gain economic benefits or provide service potential. This section sets out both the key accounting policies and financial information about the performance of these assets.

	Notes
Property, plant and equipment	7.1
Intangibles	7.2
Impairment	7.3

## Notes to the Financial Statements

for the year ended 30 June 2018

### 7.1 PROPERTY, PLANT AND EQUIPMENT

#### 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:

#### 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.

	Fair Value	Accumulated Depreciation	Carrying Amt At Beginning of Period	Additions	Transfers	Disposals/W'downs	Depreciation	Impairment Losses	Carrying Amt at End of Period
<b>2018</b>									
Land at Fair Value	4,330,000	-	4,330,000	-	-	-	-	-	4,330,000
Freehold Land Improvements	759,699	(59,314)	700,385	-	-	-	(49,787)	-	650,598
Capital Works in Progress	297,002	-	297,002	926,464	(164,163)	-	-	-	1,059,303
Plant & Machinery	14,197,548	(892,027)	13,305,521	244,936	145,438	-	(593,301)	(24,242)	13,078,352
Buildings	2,538,385	(122,309)	2,416,076	28,547	-	-	(118,779)	-	2,325,844
Motor Vehicles	736,158	(67,020)	669,138	37,953	-	(17,781)	(66,951)	-	622,359
Mains & Services	45,617,350	(803,231)	44,814,119	1,088,734	18,725	-	(808,974)	-	45,112,604
Meters	4,691,677	(430,561)	4,261,116	255,823	-	-	(469,165)	-	4,047,774
Tools	35,750	(7,387)	28,363	-	-	(300)	(2,455)	-	25,608
Office Equipment	234,149	(21,569)	212,580	13,998	-	(4,711)	(22,335)	-	199,532
	<b>73,437,718</b>	<b>(2,403,418)</b>	<b>71,034,300</b>	<b>2,596,455</b>		<b>(22,792)</b>	<b>(2,131,747)</b>	<b>(24,242)</b>	<b>71,451,974</b>

	Fair Value	Accumulated Depreciation	Carrying Amt At Beginning of Period	Additions	Transfers	Disposals/W'downs	Depreciation	Impairment Losses	Carrying Amt at End of Period
<b>2017</b>									
Land at Fair Value	4,330,000	-	4,330,000	-	-	-	-	-	4,330,000
Freehold Land Improvements	680,310	-	680,310	58,171	21,219	-	(59,315)	-	700,385
Capital Works in Progress	802,744	-	802,744	168,542	(674,284)	-	-	-	297,002
Plant & Machinery	13,226,776	(13,258)	13,213,518	337,632	633,141	-	(878,770)	-	13,305,521
Buildings	2,496,576	-	2,496,576	27,849	13,960	-	(122,309)	-	2,416,076
Motor Vehicles	733,278	(176)	733,101	2,880	-	-	(66,844)	-	669,138
Mains & Services	44,861,129	(3,667)	44,857,462	750,257	5,964	-	(799,564)	-	44,814,119
Meters	4,305,619	-	4,305,618	386,058	-	-	(430,561)	-	4,261,116
Tools	35,750	(4,838)	30,912	-	-	-	(2,549)	-	28,363
Office Equipment	200,953	(3,097)	197,856	33,195	-	-	(18,471)	-	212,580
	<b>71,673,135</b>	<b>(25,036)</b>	<b>71,648,097</b>	<b>1,764,584</b>	<b>-</b>	<b>-</b>	<b>(2,378,383)</b>	<b>-</b>	<b>71,034,300</b>

Total depreciation expense for Property, Plant and Equipment for the year is \$2,131,747 (2017: \$2,378,283).

## Notes to the Financial Statements

for the year ended 30 June 2018

### 7.1 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 9.2.

#### *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.

#### *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'.



## Notes to the Financial Statements

for the year ended 30 June 2018

### 7.2 INTANGIBLE ASSETS

	2018 \$	2017 \$
Computer Software		
At Fair Value	538,501	338,811
Accumulated amortisation	(141,583)	(80,572)
	<b>396,918</b>	<b>258,239</b>
<b>Reconciliations:</b>		
Carrying amount at start of period	258,239	243,289
Additions	199,690	84,067
Amortisation expense	(61,011)	(69,117)
<b>Carrying amount at end of period</b>	<b>396,918</b>	<b>258,239</b>

Total amortisation expense for intangibles for the year is \$61,011 (2017: \$69,117).

#### 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.

### 7.3 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 2018, a horizontal pressure vessel and eight Ultraviolet Disinfection Units were identified as impaired. The value of the impairment has been recognised as follows:

	2018 \$	2017 \$
Impairment loss	<b>24,242</b>	-

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.

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

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 8 Other Assets and Liabilities

This section sets out those assets and liabilities that arose from Busselton Water Board's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations.

	Notes
Trade and other receivables	8.1
Other current assets	8.2
Payables	8.3
Provisions	8.4
Other liabilities	8.5

#### 8.1 TRADE AND OTHER RECEIVABLES

	2018 \$	2017 \$
Includes all amounts due to Busselton Water from operations.		
Rates/Std Supply Charge Debtors	911,231	667,460
Excess Water/Consumption Debtors	2,252,716	1,708,302
Deferred Rates/Charges	4,360	5,030
Late Payment Penalty	5,865	4,894
Fire Services	16,513	10,966
Settlement Reading Fees	7,421	5,652
Miscellaneous Fees	3,852	2,382
Sundry Debtors	663,651	77,172
GST (Net Receivable from ATO)	42,707	57,838
Miscellaneous Debtors	151,795	218,686
	<b>4,060,111</b>	<b>2,758,382</b>

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.

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.

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.

#### 8.2 OTHER CURRENT ASSETS

	2018 \$	2017 \$
Prepayments and accrued income	131,272	45,394

Prepayments represents payments in advance of receipt of goods or services or that part of the expenditure made in one accounting period covering a term extending beyond that period.

#### 8.3 PAYABLES

	2018 \$	2017 \$
Trade Creditors	445,764	489,897
Payroll Creditors	54,693	48,555
Accruals	831,534	649,468
	<b>1,331,991</b>	<b>1,187,920</b>

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.

## Notes to the Financial Statements

for the year ended 30 June 2018

### 8.4 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.

	2018 \$	2017 \$
<u>Current</u>		
Annual leave <sup>(a)</sup>	192,101	193,098
Long service leave <sup>(b)</sup>	157,858	152,307
Sick leave <sup>(c)</sup>	431,426	449,445
	<b>781,385</b>	<b>794,850</b>
Employment on-costs <sup>(d)</sup>	109,777	82,152
	<b>891,162</b>	<b>877,002</b>
<u>Non-current</u>		
Long service leave <sup>(b)</sup>	63,141	43,025
Employment on-costs <sup>(d)</sup>	14,207	8,218
	<b>77,348</b>	<b>51,243</b>
Aggregate employee benefit liability	968,510	928,245
Number of employees at year end	<b>32</b>	<b>30</b>

(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:

	2018 \$	2017 \$
Within 12 months of the end of the reporting period	153,681	154,479
More than 12 months after the end of the reporting period	38,420	38,619
	<b>192,101</b>	<b>193,098</b>

(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:

	2018 \$	2017 \$
Within 12 months of the end of the reporting period	21,448	72,655
More than 12 months after the end of the reporting period	199,551	122,677
	<b>220,999</b>	<b>195,332</b>

(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:

	2018 \$	2017 \$
Within 12 months of the end of the reporting period	121,625	48,834
More than 12 months after the end of the reporting period	309,801	400,611
	<b>431,426</b>	<b>449,445</b>

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

### Movements in other provisions

#### Employment on-cost provision

	2018 \$	2017 \$
Carrying amount at start of period	<b>90,370</b>	<b>90,770</b>
Additional/(reversals of) provisions recognised	112,065	69,931
Payments/other sacrifices of economic benefits	(78,451)	(70,331)
Carrying amount at end of period	<b>123,984</b>	<b>90,370</b>



# Notes to the Financial Statements

for the year ended 30 June 2018

## 8.4 PROVISIONS (continued)

### 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".

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

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.

#### 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'.

## 8.5 OTHER LIABILITIES

	2018	2017
	\$	\$
Monies in Trust	25,191	22,391
Income in Advance	42,970	43,071
	<b>68,161</b>	<b>65,462</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 9 Risks and Contingencies

This note sets out the key risk management policies and measurement techniques of Busselton Water Board.

	Notes
Financial risk management	9.1
Fair value measurement	9.2
Contingent assets and contingent liabilities	9.3

#### 9.1 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
  - o Cash and cash equivalents
  - o Receivables
  - o Term deposits
- Financial Liabilities
  - o Payables
  - o 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.

#### (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 2018.

##### 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.

## Notes to the Financial Statements

for the year ended 30 June 2018

### 9.1 FINANCIAL INSTRUMENTS (continued)

	Carrying Amount	- 100 basis points		+ 100 basis points	
		Surplus	Equity	Surplus	Equity
<b>2018</b>	\$	\$	\$	\$	\$
Financial Assets					
Cash & cash equivalents	860,493	(8,605)	(8,605)	8,605	8,605
Other financial assets	12,000,000	(120,000)	(120,000)	120,000	120,000
Financial Liabilities					
WATC Borrowings	1,122,903	(11,229)	(11,229)	11,229	11,229
<b>Total Increase/(Decrease)</b>		<b>(139,834)</b>	<b>(139,834)</b>	<b>139,834</b>	<b>139,834</b>

	Carrying Amount	- 100 basis points		+ 100 basis points	
		Surplus	Equity	Surplus	Equity
<b>2017</b>	\$	\$	\$	\$	\$
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
<b>Total Increase/(Decrease)</b>		<b>(139,464)</b>	<b>(139,464)</b>	<b>139,464</b>	<b>139,464</b>

#### 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 9.1 'Financial Instruments' and note 8.1 'Receivables' to the financial statements.

There are no amounts of collateral held as security at 30 June 2018.

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 2018 and 30 June 2017 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.

The borrowing due to the Western Australian Treasury Corporation (WATC) is repayable at a fixed rate with a fixed maturity. Busselton Water has limited exposure to interest rate risk as detailed in the interest rate sensitivity analysis table at note 9.1, Busselton Water is not exposed to interest rate risk because the majority of its cash and cash equivalents are held at a negligible interest rate and, its investments and WATC borrowing are at a fixed rate of interest.



## Notes to the Financial Statements

for the year ended 30 June 2018

### 9.1 FINANCIAL INSTRUMENTS (continued)

#### (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:

	2018	2017
	\$	\$
<u>Financial Assets</u>		
Cash and cash equivalents	860,493	1,404,806
Receivables <sup>(a)</sup>	4,017,404	2,700,545
Other Financial Assets	12,000,000	11,150,000
	<b>16,877,897</b>	<b>15,255,351</b>
<u>Financial Liabilities</u>		
Payables	1,331,991	1,187,921
WATC Borrowings	1,122,903	1,391,601
Other Financial Liabilities	68,161	65,462
	<b>2,523,055</b>	<b>2,644,984</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2018

### 9.1 FINANCIAL INSTRUMENTS (continued)

#### (c) Financial Instrument Disclosures

##### *Credit risk*

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

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

	Carrying Amount	Not past due and not impaired	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years	Impaired financial assets
<b>2018</b>	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	860,493	860,493	-	-	-	-	-	-
Receivables <sup>(a)</sup>	4,017,404	3,887,771	-	44,363	85,270	1,697	-	-
Other Financial Assets	12,000,000	12,000,000	-	-	-	-	-	-
	<b>16,877,897</b>	<b>16,748,264</b>	<b>-</b>	<b>44,363</b>	<b>85,270</b>	<b>1,697</b>	<b>-</b>	<b>-</b>
<b>2017</b>								
Cash and cash equivalents	1,404,806	1,404,806	-	-	-	-	-	-
Receivables <sup>(a)</sup>	2,700,545	2,580,648	-	59,908	59,989	-	-	-
Other Financial Assets	11,150,000	11,150,000	-	-	-	-	-	-
	<b>15,255,351</b>	<b>15,135,454</b>	<b>-</b>	<b>59,908</b>	<b>59,989</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2018

## 9.1 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	Carrying Amount	Interest rate exposure			Nominal amount	Maturity dates				
	Effective Interest Rate		Fixed interest rate	Variable interest rate	Non-interest bearing		Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years
<b>2018</b>	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Financial Assets</u>											
Cash and cash equivalents	1.40	860,493	-	859,393	1,100	860,493	860,493	-	-	-	-
Receivables <sup>(a)</sup>		4,017,404	-	-	4,017,404	4,017,404	4,017,404	-	-	-	-
Other Financial Assets	2.58	12,000,000	12,000,000	-	-	12,000,000	2,400,000	3,000,000	6,600,000	-	-
		<b>16,877,897</b>	<b>12,000,000</b>	<b>859,393</b>	<b>4,018,504</b>	<b>16,877,897</b>	<b>7,277,897</b>	<b>3,000,000</b>	<b>6,600,000</b>	<b>-</b>	<b>-</b>
<u>Financial Liabilities</u>											
Payables		1,331,991	-	-	1,331,991	1,331,991	1,331,991	-	-	-	-
WATC Borrowings	4.54	1,122,903	1,122,903	-	-	1,122,903	-	69,092	212,015	841,796	-
Other Financial Liabilities		68,161	-	-	68,161	68,161	-	42,970	25,191	-	-
		<b>2,523,055</b>	<b>1,122,903</b>	<b>-</b>	<b>1,400,152</b>	<b>2,523,055</b>	<b>1,331,991</b>	<b>112,062</b>	<b>237,206</b>	<b>841,796</b>	<b>-</b>
<b>2017</b>	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<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 <sup>(a)</sup>		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	-	-
		<b>15,255,351</b>	<b>11,150,000</b>	<b>1,403,706</b>	<b>2,701,645</b>	<b>15,255,351</b>	<b>6,705,351</b>	<b>4,250,000</b>	<b>4,300,000</b>	<b>-</b>	<b>-</b>
<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	-	-
		<b>2,644,984</b>	<b>1,391,601</b>	<b>-</b>	<b>1,253,383</b>	<b>2,644,984</b>	<b>1,187,921</b>	<b>109,113</b>	<b>225,048</b>	<b>1,122,903</b>	<b>-</b>

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



## Notes to the Financial Statements

for the year ended 30 June 2018

### (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.

### 9.2 FAIR VALUE MEASUREMENTS

<u>Assets measured at fair value:</u>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value at end of period</b>
<b>2018</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land at Fair Value	-	1,680,000	2,650,000	4,330,000
Freehold Land Improvements	-	27,846	622,753	650,599
Plant & Machinery	-	-	13,078,351	13,078,351
Buildings	-	892,103	1,433,742	2,325,845
Motor Vehicles	-	622,359	-	622,359
Mains & Services	-	-	45,112,604	45,112,604
Meters	-	-	4,047,774	4,047,774
Tools	-	25,608	-	25,608
Office Equipment	-	186,643	12,890	199,533
Intangible Assets	-	-	396,918	396,918
	<b>-</b>	<b>3,434,558</b>	<b>67,355,032</b>	<b>70,789,591</b>

<u>Assets measured at fair value:</u>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value at end of period</b>
<b>2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land at Fair Value	-	1,680,000	2,650,000	4,330,000
Freehold Land Improvements	-	29,719	670,667	700,385
Plant & Machinery	-	-	13,305,521	13,305,521
Buildings	-	918,716	1,497,360	2,416,076
Motor Vehicles	-	669,138	-	669,138
Mains & Services	-	-	44,814,119	44,814,119
Meters	-	-	4,261,116	4,261,116
Tools	-	28,363	-	28,363
Office Equipment	-	198,749	13,832	212,581
Intangible Assets	-	-	258,239	258,239
	<b>-</b>	<b>3,524,684</b>	<b>67,470,854</b>	<b>70,995,538</b>

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.



## Notes to the Financial Statements

for the year ended 30 June 2018

### 9.2 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.



## Notes to the Financial Statements

for the year ended 30 June 2018

### 9.2 FAIR VALUE MEASUREMENTS (continued)

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

Description	Fair Value 2018 \$	Fair Value 2017 \$	Valuation techniques	Unobservable inputs
Land	2,650,000	2,650,000	Market approach	Selection of land with similar approximate utility
Freehold Land Improvements	622,754	670,667	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Plant & Machinery	13,078,351	13,305,521	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Buildings	1,433,742	1,497,360	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Mains & Services	45,112,604	44,814,119	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Meters	4,047,774	4,261,116	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Office Equipment	12,890	13,832	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset
Intangible Assets	396,918	258,239	Depreciated Replacement Cost	Consumed economic benefit /obsolescence of asset

Reconciliation of the opening and closing balances are provided in notes 7.1 and 7.2.

#### 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.

## Notes to the Financial Statements

for the year ended 30 June 2018

### 9.3 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets or liabilities to report as at 30 June 2018.

### Note 10 Other Disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	10.1
Key management personnel	10.2
Related parties	10.3
Remuneration of auditors	10.4
Equity	10.5

### 10.1 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.

### 10.2 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 (\$)	2018	2017
0 - 10,000	1	1
10,001 - 20,000	5	4
20,001 - 30,000	1	1
	\$	\$
Short term employee benefits	86,728	75,000
Post employment benefits	8,200	7,125
<b>Total compensation of members of Busselton Water</b>	<b>94,928</b>	<b>82,125</b>

#### Compensation of other senior officers

Compensation Band (\$)	2018	2017
10,001 - 20,000	1	-
150,001 - 160,000	1	1
160,001 - 170,000	1	1
200,001 - 210,000	-	1
290,001 - 300,000	-	1
320,001 - 330,000	1	-
	\$	\$
Short term employee benefits	591,251	610,583
Post employment benefits	54,007	54,391
Other long term benefits	18,883	(13,066)
<b>Total compensation of senior officers</b>	<b>664,141</b>	<b>651,908</b>

### 10.3 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.

## Notes to the Financial Statements

for the year ended 30 June 2018

### 10.3 RELATED PARTY TRANSACTIONS (continued)

#### Significant transactions with government related entities

	Notes	2018 \$	2017 \$
Income tax Equivalents (NTER)	11	1,451,395	1,176,685
Dividends	10.5	1,408,625	1,463,741
Payroll Tax	5.1 & 5.5	143,890	128,152
Operating Subsidies	4.2	523,000	527,192
Loan Repayments (WATC)	6.2	268,698	256,838
Insurance	5.1, 5.3 & 5.5	103,173	96,198
Local Government Rates Equivalent	5.1 & 5.3	58,315	55,971
Bulk Water Supply Agreement - Water Sales	4.1	507,666	197,740
Bulk Water Supply Agreement - Reimbursement of Infrastructure Costs	4.3	738,400	731,765

#### 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.

### 10.4 REMUNERATION OF AUDITOR

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

	2018 \$	2017 \$
Auditing the accounts, financial statements	38,200	37,650

### 10.5 EQUITY

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

	2018 \$	2017 \$
<u>General Reserve Fund</u>		
<b>Balance at start of period</b>	<b>11,858,009</b>	<b>11,074,741</b>
<u>Less: Transfers to Retained Profits</u>	(1,481,826)	(1,291,657)
<u>Add: Transfers from Retained Profits</u>	3,002,843	2,074,925
<b>Balance at end of period</b>	<b>13,379,026</b>	<b>11,858,009</b>

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, plant funding, contingencies and other future projects.

#### 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.

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

	2018 \$	2017 \$
Final dividend payment for the prior year	1,408,625	1,463,741

After 30 June 2018, the Directors proposed a final dividend payment of \$1,539,985 for the 2018 year, payable on or before 31 December 2018. The dividend has not been provided for and there are no tax consequences.



## Notes to the Financial Statements

for the year ended 30 June 2018

### 10.5 EQUITY (continued)

	2018 \$	2017 \$
<u>Asset Revaluation Reserve Fund</u>		
<b>Balance at start of period</b>	<b>33,690,532</b>	<b>33,554,143</b>
<b>Net revaluation increments/(decrements)</b>		
Land		
Deferred Tax Land	73,659	-
Land improvements		
Deferred Tax Land Improvements	15,341	37,110
Plant and Machinery		
Deferred Tax Plant and Machinery	(41,499)	15,653
Buildings		
Deferred Tax Buildings	85,216	24,150
Motor Vehicles		
Deferred Tax Motor Vehicles	9,929	(9,803)
Mains and Services		
Deferred Tax Mains and Services	902,858	110,676
Meters		
Deferred Tax Meters	112,959	95,142
Tools		
Deferred Tax Tools	(69)	(1,134)
Office Equipment		
Deferred Tax Office Equipment	(4,854)	(98,512)
Deferred Tax Low Value Pool	18,970	(36,893)
Deferred income tax (note 11 "Taxation equivalents")	<b>1,172,510</b>	<b>136,389</b>
<b>Balance at end of period</b>	<b>34,863,042</b>	<b>33,690,532</b>

### RETAINED EARNINGS

	2018 \$	2017 \$
<b>Balance at Start of Period</b>	<b>25,537,797</b>	<b>25,691,416</b>
Result for the Period	3,431,195	2,093,390
Add Transfers From Reserves	1,481,826	1,291,657
Less Transfers to Reserves	(3,002,843)	(2,074,925)
Dividends Paid	(1,408,625)	(1,463,741)
<b>Balance at end of period</b>	<b>26,039,350</b>	<b>25,537,797</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11 Taxation Equivalents

	2018	2017
	\$	\$
(a) Income Tax Expense		
<i>Current income</i>		
Current income tax charge	1,450,006	1,177,082
Adjustments in respect of current income tax of previous years		
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	1,389	(397)
Total Income tax expense	<b>1,451,395</b>	<b>1,176,685</b>
(b) Amounts recognised in other comprehensive income		
<i>Deferred income tax</i>		
Unrealised gain on available for sale financial assets	1,172,510	136,389
Income tax benefit recognised in other comprehensive income	<b>1,172,510</b>	<b>136,389</b>
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax equivalents	4,882,590	3,270,075
Tax at the statutory income tax rate of 27.5% (2017: 30%)	1,342,712	981,022
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	108,683	195,663
Total Income Tax Expense	<b>1,451,395</b>	<b>1,176,685</b>

## (d) Deferred Income Tax

	Statement of Financial Position		Statement of Comprehensive Income	
	2018	2017	2018	2017
	\$	\$	\$	\$
<i>Deferred income tax assets</i>				
Provisions - employee benefits	266,341	278,474	12,133	(5,268)
Accrued Superannuation	2,448	2,219	(229)	(390)
Prepaid expenses	(3,432)	(3,581)	(149)	(183)
Gross deferred income tax assets	<b>265,357</b>	<b>277,112</b>		
<i>Deferred income tax liabilities</i>				
Revaluation of land, property, plant and Equipment	11,807,247	12,979,757	(1,172,510)	(136,387)
Interest receivable	29,281	39,647	(10,366)	5,442
Gross deferred income tax liabilities	11,836,528	13,019,404		
Net deferred income tax liabilities	<b>11,571,171</b>	<b>12,742,292</b>		
Deferred income tax expense			<b>(1,171,121)</b>	<b>(136,786)</b>

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 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.

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 11 Taxation Equivalents (continued)

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.

### Note 12 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:

	2018	2017
	\$	\$
<u>Non-current assets</u>		
Office Equipment	74,268	78,634

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

The joint operation was entered into in 2014-15.

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