# WATER SERVICES ASSOCIATION OF AUSTRALIA LIMITED
ACN 117 907 285

## FINANCIAL STATEMENTS
## YEAR ENDED 30 JUNE 2016

**WATER SERVICES ASSOCIATION OF AUSTRALIA LIMITED**
**ACN 117 907 285**

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# DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2016.

**Directors**

The names of the directors of the company at any time during or since the end of the financial year are:

Louise Dudley (Chair)
John Ringham (Deputy Chair)
Anne Barker (resigned November 2015)
James Grayson (resigned November 2015)
Susan Murphy
Kevin Young
John Knox
Michael Wandmaker
Jeff Rigby (appointed November 2015)
Patrick McCafferty (appointed November 2015)
David Harris
Adam Lovell

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Principal Activities**

The principal activity of the company during the financial year was as follows.

The Water Services Association of Australia (WSAA) is the peak body of the Australian urban water industry. Its 31 members and 34 associate members provide water and waste water services to approximately 16 million Australians and to many of our largest industrial and commercial enterprises.

Urban water service providers have a critical role in ensuring that Australians have access to adequate and high quality water services. As Australia's population continues to grow, with most of this growth occurring in cities, that role becomes increasingly important.

WSAA's vision is for Australian urban water utilities to be valued as leaders in the innovative, sustainable and cost effective delivery of water services. WSAA strives to achieve this vision by promoting knowledge sharing, networking and cooperation amongst members. WSAA identifies emerging issues and develops industry-wide responses. WSAA is the national voice of the urban water industry, speaking to government, the broader water sector and the Australian community.

## DIRECTORS' REPORT

### Information on Directors

The information on directors is as follows:

**Louise Dudley**

| | |
|---|---|
| | – Director, WSAA |
| Qualifications | B.Com, CA, GAICD, FAIM |
| Experience | – Louise was appointed Chief Executive Officer of Queensland Urban Utilities on 1 July 2012, and was a part of the organisation since it was formed on 1 July 2010. Louise previously held the position of Chief Financial Officer and played a key role in the creation of Queensland Urban Utilities during her time as Executive Manager, Water Retail, Brisbane City Council. Prior to moving to QUU, Louise enjoyed a seven year career with Brisbane City Council in senior management positions including Director of Finance and Legal Water Transition Program; Chief Procurement Officer; and Commercial Manager Information, Communication and Technology Division and spent 17 years with leading accounting and advisory firm KPMG, and was in a senior role with PresCare. |
| Special Responsibilities | – Chair |

| | |
|---|---|
| **John Ringham** | – Director, WSAA |
| Qualifications | – BSc (Hons), MBA, Dip Geotech (UK) CEng, FIEAust, MICE,MCIWEM, MAICD<br>As Chief Executive of SA Water, John Ringham is also a member of the Board. |
| **Experience** | – John Ringham has over 40 years' experience in the water industry. John held numerous senior management positions with the UK Company, United Utilities, formerly North West Water, John has experience in the areas of water resourcing, water supply and distribution and capital planning as well as in change management and international bidding.<br><br>In November 2000 John was appointed Head of Water Services, and later Chief Operating Officer of the South Australian Water Corporation (SA Water), with responsibility for water supply and wastewater service delivery to SA Water's customers. John was promoted to the position of Chief Executive of SA Water in December 2010. He is also a Director and Deputy Chair of WaterAid Australia. |
| Special Responsibilities | Deputy Chair |

## DIRECTORS' REPORT

### Information on Directors (continued)

| | |
|---|---|
| **Anne Barker** | – Director, WSAA |
| Qualifications | – LLB, MAICD |
| Experience | – Anne is the Managing Director of City West Water, one of Melbourne's three water retailers, with a licence area which encompasses the CBD, the Brooklyn/Laverton industrial precinct and the Werribee growth area. Anne joined City West Water in 2002 and previously worked in a number of different industries including retail, banking, manufacturing and energy in a variety of roles from lawyer to heading up the pricing team in a regulated energy business. She was a member of the WSAA Board for three years until 2007, and is currently Chair of the merged charities Whitelion and Open Family Australia. |
| Special Responsibilities | – Chair, People and Capability Committee |

| | |
|---|---|
| **James Grayson** | – Director, WSAA |
| Qualifications | – LLB, LLM, ACIS, PGradDipComm |
| Experience | – Jim has been the Chief Executive Officer of Gladstone Area Water Board (GAWB) since early 2006, having joined GAWB in 2003. Prior to joining GAWB Jim worked as a Solicitor in private legal practice and with the Australian Securities and Investments Commission. Jim is a Fellow of the Financial Services Institute of Australia. Jim served on the Board of the Gladstone Economic Industry Development Board from 2006 to 2012 and as a member of the advisory Board of the University of Central Queensland - Centre for Environmental Management. He was Chair of the AWA Water Management Law and Policy Specialist Network committee from 2012 to 2014 and is a member of the advisory panel for the Gas Industry Social and Environmental Alliance. |
| Special Responsibilities | – Chair, Healthy Liveable Communities Committee |

| | |
|---|---|
| **Adam Lovell** | – Executive Director, WSAA |
| Qualifications | – Bachelor of Science Education (Chemistry) Sydney University, Master of Environmental Engineering Science Sydney University |
| Experience | – Adam Lovell was appointed as Executive Director of WSAA in June 2011. Prior to taking up his current position, Adam was the Manager, Science and Sustainability at the Water Services Association of Australia. In this role he led national water utility strategy and policy development in areas including climate change adaptation and mitigation, water efficiency, water quality and regulation, and sustainability planning, analysis and reporting. He was previously at Sydney Water for 11 years in the Science and Technology group.<br>Adam is currently a Board member for the National Centre of Excellence for Desalination, and a member of the National Health and Medical Research Council Water Quality Advisory Committee, a committee responsible for the development of water quality guidelines in Australia.<br>-Director, WSAA |

**Susan Murphy**

| | |
|---|---|
| Qualifications | – Bachelor of Engineering (Honours) University of Western Australia |
| Experience | – Sue was appointed Chief Executive Officer of the Water Corporation in 2008 after a long career in the private sector in engineering construction. Sue is a Member of the University of WA Senate and Board Member of the UWA Business School. Honorary Fellow of the Institution of Engineers Australia and Fellow of the Australian Academy of Technological Sciences & Engineering. Sue has been listed in the top 100 most influential engineers in Australia by Engineers Australia in each year from 2009 – 2015. |
| Special Responsibilities | – Chair, Customer and Industry Policy Committee |

| | |
|---|---|
| **Kevin John Young** | – Director, WSAA |
| Qualifications | – Kevin Young has a degree with honours in engineering and a Master of Business Administration. Kevin is a Fellow of the Institution of Engineers Australia and a Fellow of the Australian Institute of Company Directors. |
| Experience | – Kevin is currently the Managing Director at Sydney Water Corporation and prior to this was the Managing Director at Hunter Water Corporation for seven years. Kevin has over 30 years of experience working in private consulting both in Australia and overseas and working for Government utilities. |
| Special Responsibilities | – Chair, Asset Management Committee |

| | |
|---|---|
| **John Knox** | – Director, WSAA |
| Qualifications | – Bachelor of Financial Administration, University of New England, Fellow of CPA Australia and a Member of the Australian Institute of Company Directors. |
| Experience | – John is the Managing Director of Icon Water. He is a director on the Icon Water Limited Board and its subsidiary companies and a member of the ActewAGL Joint Venture Partnerships Board. |
| Special Responsibilities | – NA |

| | |
|---|---|
| **Michael Wandmaker** | – Director, WSAA |
| Qualifications | – Bachelor of Engineering, Mechanical and Computing. Fellow of Institute of Engineers. |
| Experience | – Michael is Managing Director of Melbourne Water. Michael has extensive senior leadership experience across several industries, both in Australia and Internationally. He was previously President of FT Services, CEO of Silcar maintenance Services, Vice President at Siemens Canada Ltd and held various executive positions with Tyco Services and Transfield Holdings Pty Ltd. Prior to becoming Managing Director at Melbourne Water, Mr Wandmaker was Group President and Acting CEO of UGL Limited's engineering, construction and maintenance division. |
| Special Responsibilities | – NA |

**DIRECTORS' REPORT**

**Information on Directors (continued)**

| | |
|---|---|
| **David Harris** | – Director, WSAA |
| Qualifications | – Bachelor of Economics, LLB (Hons) |
| Experience | – David Harris is the CEO of WaterNSW. Previously David was for a short time CEO of both State Water Corporation and the Sydney Catchment Authority, the two entities that were merged to form WaterNSW. David has over 20 years' experience in the Australian water industry and has been involved in various key policy and market reforms in the water, energy and utilities industries over that time. From 2002 to 2013 David was a key member of the Executive leadership of Snowy Hydro Limited. |
| Special Responsibilities | – NA |

| | |
|---|---|
| **Patrick McCafferty** | – Director, WSAA |
| Qualifications | – B.Bus (Acc), EMBA, GAICD, FWCLP |
| Experience | – Pat is Managing Director of Yarra Valley Water, one of Australia's largest water utilities providing essential water and sanitation services across Melbourne's eastern and northern suburbs.<br><br>In a career spanning over 30 years in the water industry, Pat has significant experience across a range of functions. Pat moved from Melbourne Water to Yarra Valley Water when the organisation was established in 1995, and prior to his current role, held General Manager positions in Customer Operations and in Strategy and Communications. Pat has played a lead role within Yarra Valley Water and the broader water sector in addressing critical challenges such as extreme drought, population growth, changing customer expectations and improving productivity.<br><br>Pat has also worked previously in the Californian water sector, helping water utilities develop strategies relating to service, organisational culture and drought response. In 2007 Pat Chaired an Expert Group advising the Australian Federal Government as part of the National Water Initiative. |
| Special Responsibilities | Deputy Chair<br>Chair, Customer and Industry Leadership Steering Committee |

| | |
|---|---|
| **Jeff Rigby** | – Director, WSAA |
| Qualifications | – BE (Civil), MEngSc, MBA, FIEAust, CPEng, EngExec, NER, FAICD, FGIA, FCIS |
| Experience | – Jeff Rigby is a water industry leader and a public sector governance professional, with over 30 years of experience gained from working with three water utilities located and servicing communities in the western and north-central regions of Victoria.<br><br>– Jeff is currently the Managing Director of Coliban Water and he has been in this Bendigo-based role since the start of 2012. Prior to this, Jeff was the inaugural Managing Director of GWMWater and he led the Horsham-based corporation from 2007.<br><br>– Before entering the chief executive period of his career, Jeff held executive positions in operations and engineering services with |

– GWMWater. Jeff was GWMWater's Project Director for the nationally acclaimed Wimmera Mallee Pipeline Project from 2005 until his appointment as the corporation's Managing Director, and, at the time of its construction, the project was the largest water savings initiative in Australia.

– Jeff is also a Board Director of the Grampians Central West Waste and Resource Recovery Group and the Chairman of the Group's Audit Committee. In 2015, he was appointed by the Victorian and Commonwealth Governments to the Regional Development Australia Committee for the Loddon Mallee Region for a three year term.

– Jeff is an accredited Gateway Reviewer for high value/high risk public sector projects and registered with the Victorian Department of Treasury and Finance.

Special Responsibilities – NA

**Meetings of Directors**

| Directors | Director's Meetings | |
|---|---|---|
| | Number eligible to attend | Number attended |
| Louise Dudley (Chair) | 4 | 3 |
| John Frederick Ringham | 4 | 4 |
| Adam John Lovell | 4 | 4 |
| Kevin John Young | 4 | 4 |
| Michael Wandmaker | 4 | 0 |
| David Harris | 4 | 4 |
| Susan Murphy | 4 | 4 |
| Anne Barker | 2 | 2 |
| James Grayson | 2 | 2 |
| John Knox | 4 | 4 |
| Patrick McCafferty | 2 | 2 |
| Jeff Rigby | 2 | 2 |

**Members Guarantee**

The company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of $10 each towards meeting any outstanding obligations of the entity. There were a total of 70 members (2015: 64) for the financial year ended 30 June 2016. The total amount that members of the company are liable to contribute if the company is wound up is $310.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the Board of Directors:

| | |
|---|---|
| Director ______________ | Director ______________ |
| Louise Dudley | Adam Lovell |

Dated this 23rd day of September 2016

McLean Delmo Bentleys
THINKING AHEAD

**McLean Delmo Bentleys Audit Pty Ltd**
Level 3, 302 Burwood Rd
Hawthorn Vic 3122
PO Box 582 Hawthorn Vic 3122
ABN 54 113 655 584
T +61 3 9018 4666
F +61 3 9018 4799
info@mcdb.com.au
mcleandelmobentleys.com.au

**AUDITOR'S INDEPENDENCE DECLARATION**
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**
**TO THE DIRECTORS OF WATER SERVICES ASSOCIATION OF AUSTRALIA LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

McLean Delmo Bentleys Audit Pty Ltd

**McLean Delmo Bentleys Audit Pty Ltd**

**Martin Fensome**
**Partner**

**Hawthorn**
23 September 2016

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Sales revenue | 2 | **984** | 2,289 |
| Other revenues | 2 | **8,781,808** | 7,295,434 |
| | | **8,782,792** | 7,297,723 |
| Cost of sales | | **-** | - |
| Occupancy expenses | | **(257,032)** | (237,148) |
| Administrative expenses | | **(3,123,893)** | (3,065,462) |
| Consultants & contractors | | **(563,904)** | (428,576) |
| Subscription projects | | **(3.835,546)** | (2,647,120) |
| Travel & accommodation | | **(248,282)** | (238,416) |
| Dues and subscriptions | | **(486,641)** | (585,249) |
| Conference & seminars | | **(37,891)** | (19,080) |
| **Profit/(loss) before income tax** | 3 | **229,603** | 76,672 |
| Income tax expense | 1 (a) | | |
| **Profit/(loss) for the year** | | **229,603** | 76,672 |
| **Total comprehensive profit for the year** | | **229,603** | 76,672 |
| Profit/(loss) attributable to members of the company | | **229,603** | 76,672 |
| **Total comprehensive profit attributable to members of the company** | | **229,603** | 76,672 |

The accompanying notes form part of these financial statements.

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## STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2016

| | Notes | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | **2,661,487** | 3,315,081 |
| Trade and other receivables | 7 | **1,019,623** | 495,402 |
| Other financial assets | 8 | **2,005,260** | 624,918 |
| Other current assets | 9 | **46,665** | 57,739 |
| **TOTAL CURRENT ASSETS** | | **5,733,035** | 4,493,140 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | **207,566** | 203,017 |
| Intangible assets | 11 | **116,189** | - |
| **TOTAL NON-CURRENT ASSETS** | | **323,755** | 203,017 |
| **TOTAL ASSETS** | | **6,056,790** | 4,696,157 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | **455,509** | 228,661 |
| Short-term provisions | 13 | **383,509** | 369,832 |
| Other current liabilities | 14 | **3,105,109** | 2,234,711 |
| **TOTAL CURRENT LIABILITIES** | | **3,944,127** | 2,833,204 |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term provisions | 13 | **30,467** | 10,360 |
| **TOTAL NON-CURRENT LIABILITIES** | | **30,467** | 10,360 |
| **TOTAL LIABILITIES** | | **3,974,594** | 2,843,654 |
| **NET ASSETS** | | **2,082,196** | 1,852,593 |
| **EQUITY** | | | |
| Retained earnings | | **2,082,196** | 1,852,593 |
| **TOTAL EQUITY** | | **2,082,196** | 1,852,593 |

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
### FOR THE YEAR ENDED 30 JUNE 2016

| | Retained Earnings $ | Total $ |
|---|---|---|
| **Balance at 1 July 2014** | **1,775,921** | **1,775,921** |
| Profit for the year | 76,672 | 76,672 |
| **Total comprehensive profit for the year** | 76,672 | 76,672 |
| **Balance at 30 June 2015** | **1,852,593** | **1,852,593** |
| Profit for the year | 229,603 | 229,603 |
| **Total comprehensive profit for the year** | 229,603 | 229,603 |
| **Balance at 30 June 2016** | **2,082,196** | **2,082,196** |

The accompanying notes form part of these financial statements.

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2016

| | Notes | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **9,198,501** | 8,603,359 |
| Payments to suppliers and employees | | **(8,326,340)** | (8,340,370) |
| Interest received | | **89,446** | 93,401 |
| Net cash provided by operating activities | 15 | **961,607** | 356,390 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Payment for other financial asset | | **(1,380,342)** | (624,918) |
| Payment for property, plant and equipment | | **(104,573)** | (9,808) |
| Payment for intangible assets | | **(130,286)** | - |
| Net cash used in investing activities | | **(1,615,201)** | (634,726) |
| Net (decrease) / increase in cash held | | **(653,594)** | (278,336) |
| Cash at beginning of financial year | | **3,315,081** | 3,593,417 |
| Cash at end of financial year | 6 | **2,661,487** | 3,315,081 |

The accompanying notes form part of these financial statements.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are for Water Services Association of Australia Limited as an individual entity, incorporated and domiciled in Australia. Water Services Association of Australia Limited is a company limited by guarantee.

### Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, (including Australian Accounting Interpretations), the Corporations Act 2001, and comply with other requirements of the law. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar, unless stated otherwise.

Material accounting policies adopted in the preparation of the financial statements are presented below. They have been consistently applied unless otherwise stated.

### (a) Income Tax

No provision for income tax has been raised as the company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

### (b) Inventories

Inventories of publications are measured at the lower of cost and net realisable value. Work in progress included in inventories consists of work incurred on projects which will be billed on completion of the project.

### (c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

*Plant and equipment*

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not impaired.

*Depreciation*

The depreciable amount of all fixed assets, is depreciated on a diminishing basis over their useful lives to the entity commencing from the time the asset is held ready for use.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Property, Plant and Equipment (continued)**

The depreciation rates used for each class of depreciable assets are:

| Class of fixed asset | Depreciation rates |
|---|---|
| Leasehold improvements | over the life of the lease |
| Plant and equipment | 40% |
| Furniture, fixtures and fittings | 15% |
| Computer software | 20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gain and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**(d) Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in statement of comprehensive income.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Financial Instruments (continued)**

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in statement of comprehensive income.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

**(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

**(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

**(v) Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Financial Instruments (continued)**

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in statement of comprehensive income.

**(e) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

**(f) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, which are subject to insignificant risk of changes in value, and bank overdrafts.

For the purpose of financial statement presentation, bank overdrafts are included in current liabilities.

**(h) Revenue**

Revenue from sale of goods is recognised upon the delivery of goods to customers.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue is recognised when the right to receive the revenue has been established.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Impairment of Assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

### (j) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset but not the legal ownership, that are transferred to the company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### (k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (l) Intangible assets – Website Development

Website development is recorded at cost. Website development has a finite life and is carried at cost less accumulated amortisation and any impairment losses. It has an estimated life of five years and is assessed annually for impairment.

### (m) Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

**Key estimates — Impairment**

The Company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised for plant and equipment for the year.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) New Accounting Standards for Application in Future Periods**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) New Accounting Standards for Application in Future Periods (Continued)**

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **NOTE 2: REVENUE** | | | |
| **Sales revenue:** | | | |
| Publication sales | | **984** | 2,289 |
| **Other revenue:** | | | |
| Product sales | | **547,139** | 469,510 |
| Members fees | | **4,142,537** | 3,936,396 |
| Research contributions | | **-** | - |
| Subscription projects | | **3,835,546** | 2,651,624 |
| Interest | | **89,446** | 93,401 |
| Other revenue | | **167,140** | 144,503 |
| **Total revenue** | | **8,782,792** | 7,297,723 |

## NOTE 3: PROFIT BEFORE INCOME TAX

| | 2016 $ | 2015 $ |
|---|---|---|
| **(a) Expenses** | | |
| Depreciation of non-current assets | **104,701** | 123,698 |
| Doubtful debts/(written back) | **6,943** | (20,285) |
| Bad debts/(written back) | **-** | 9,118 |
| Rental expense on operating leases: | | |
| Minimum lease payments | **256,209** | 237,148 |
| Loss on disposal of Plant & Equipment | **9,420** | - |
| **(b) Significant revenues and expenses** | | |
| Consultants and contractors | **563,904** | 428,576 |

## NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to key management personnel (KMP) of the company during the year are as follows:

| | 2016 $ | 2015 $ |
|---|---|---|
| Short-term employee benefits | **334,804** | 328,219 |
| Post-employment benefits | **41,518** | 40,505 |
| Total compensation | **376,322** | 368,724 |

## NOTE 5: AUDITORS' REMUNERATION

Remuneration of the auditor of the company for auditing or reviewing the financial statements:

| | 2016 $ | 2015 $ |
|---|---|---|
| - audit services by current year auditor | **15,710** | 12,700 |
| | **15,710** | 12,700 |

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |

## NOTE 6: CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash at bank | **2,661,487** | 2,005,698 |
| Term deposits | **-** | 1,309,383 |
| | **2,661,487** | 3,315,081 |

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | **2,661,487** | 3,315,081 |
| | **2,661,487** | 3,315,081 |

Included in cash and cash equivalents are balances relating to several projects funds amounting to $27,992 (2015: $81,827).

## NOTE 7: TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| CURRENT | | |
| Trade receivables | **1,043,356** | 464,957 |
| Provision for impairment | **(23,733)** | (16,790) |
| | **1,019,623** | 448,167 |
| Other receivables | **-** | 47,235 |
| Total current trade and other receivables | **1,019,623** | 495,402 |

### (a) Provision for impairment of receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

Movement in the provision for impairment of receivables is as follows:

| | $ |
|---|---|
| Provision for impairment as at 1 July 2014 | 37,075 |
| Written back during the year | (20,285) |
| **Provision for impairment as at 30 June 2015** | 16,790 |
| Charge for the year | 6,943 |
| **Provision for impairment as at 30 June 2016** | 23,733 |

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |

## NOTE 7: TRADE AND OTHER RECEIVABLES (Continued)

### (b) Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7. The main source of credit risk to the company is considered to relate to the class of assets described as ‘trade and other receivables’.

The following table details the company’s trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as ‘past due’ when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| | Gross amount | Past due and impaired | Past due but not impaired (days overdue) | | | Within initial trade terms |
|---|---|---|---|---|---|---|
| | | | < 30 | 31–60 | > 60 | |
| | $ | $ | $ | $ | $ | $ |
| **2016** | | | | | | |
| Trade receivables | **1,043,356** | **23,733** | **86,943** | **126,787** | **96,869** | **709,024** |
| Other receivables | **-** | **-** | **-** | **-** | **-** | **-** |
| Total | **1,043,356** | **23,733** | **86,943** | **126,787** | **96,869** | **709,024** |
| **2015** | | | | | | |
| Trade receivables | 464,957 | 16,790 | 106,751 | 25,650 | 89,316 | 226,450 |
| Other receivables | 47,235 | - | - | - | - | 47,235 |
| Total | 512,192 | 16,790 | 106,751 | 25,650 | 89,316 | 273,685 |

The company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

There are no balances within trade receivables that contain assets that are not impaired and are past due.

It is expected that these balances will be received when due.

## NOTE 8: OTHER CURRENT ASSETS

| | 2016 | 2015 |
|---|---|---|
| CURRENT | | |
| Term deposits (with an original maturity of more than 3 months) | **2,005,260** | 624,918 |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2016**

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |
| **NOTE 9: OTHER CURRENT ASSETS** | | | |
| CURRENT | | | |
| Prepayments | | **46,665** | 57,739 |
| | | | |
| **NOTE 10: PROPERTY, PLANT AND EQUIPMENT** | | | |
| **LAND & BUILDINGS** | | | |
| At cost | | **9,215** | 9,215 |
| Less accumulated amortisation | | **(903)** | (672) |
| | | **8,312** | 8,543 |
| | | | |
| **LEASEHOLD IMPROVEMENTS** | | | |
| At cost | | **177,651** | 239,588 |
| Less accumulated amortisation | | **(132,785)** | (138,888) |
| | | **44,866** | 100,700 |
| | | | |
| **PLANT & EQUIPMENT** | | | |
| a) Plant & equipment | | **288,361** | 284,970 |
| At cost | | **(194,768)** | (238,164) |
| Less accumulated depreciation | | **93,593** | 46,806 |
| | | | |
| b) Furniture, fixtures & fittings | | | |
| At cost | | **116,430** | 116,430 |
| Less accumulated depreciation | | **(81,080)** | (74,881) |
| | | **35,350** | 41,549 |
| b) Computer Software | | | |
| At cost | | **38,407** | 15,439 |
| Less accumulated depreciation | | **(12,962)** | (10,020) |
| | | **25,445** | 5,419 |
| | | | |
| Total plant & equipment | | **199,254** | 194,474 |
| | | | |
| Total property, plant and equipment | | **207,566** | 203,017 |

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |

## NOTE 10: PROPERTY, PLANT AND EQUIPMENT (Continued)

### (a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

| | Land & Buildings | Leasehold Improvements | Plant & equipment | Furniture, Fixtures & Fittings | Computer Software |
|---|---|---|---|---|---|
| | | | | $ | |
| Balance at the 30 June 2015 | 8,543 | 100,700 | 46,806 | 41,549 | 5,419 |
| Additions | - | - | 81,605 | - | 22,968 |
| Disposals | - | - | (9,420) | - | - |
| Depreciation expense | (231) | (55,834) | (25,398) | (6,199) | (2,942) |
| Balance at the 30 June 2016 | 8,312 | 44,866 | 93,593 | 35,350 | 25,445 |

| | Total |
|---|---|
| | $ |
| Balance at the 1 July 2015 | 203,017 |
| Additions | 104,573 |
| Disposals | (9,420) |
| Depreciation expense | (90,604) |
| Balance at the 30 June 2016 | 207,566 |

## NOTE 11: INTANGIBLE ASSETS

**WEBSITE DEVELOPMENT**

| | 2016 | 2015 |
|---|---|---|
| At cost | **130,286** | - |
| Less accumulated amortisation | **(14,097)** | - |
| | **116,189** | - |

### (a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year

| | Website Development |
|---|---|
| Balance at the 30 June 2015 | - |
| Additions | 130,286 |
| Disposals | - |
| Amortisation expense | (14,097) |
| Balance at the 30 June 2016 | 116,189 |

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| **NOTE 12: TRADE AND OTHER PAYABLES** | | |
| CURRENT | | |
| Unsecured Liabilities | | |
| Trade payables | **310,776** | 152,488 |
| Sundry payables and accrued expenses | **144,733** | 76,173 |
| | **455,509** | 228,661 |

**(a) Financial liabilities at amortised cost classified as trade and other payables**

| | 2016 | 2015 |
|---|---|---|
| Trade and other payables | | |
| — Total current | **455,509** | 228,661 |
| — Total non-current | - | - |
| Financial liabilities as trade and other payables | **455,509** | 228,661 |

| | Notes | 2016<br>$ | 2015<br>$ |
|---|---|---|---|

## NOTE 13: PROVISIONS

| | | | |
|---|---|---|---|
| Opening balance at beginning of financial year | | **380,192** | 286,294 |
| Movement in provisions during year | | **33,784** | 93,898 |
| Balance at end of financial year | | **413,976** | 380,192 |

**Analysis of Total Provisions**

| | | | |
|---|---|---|---|
| Current | | **383,509** | 369,832 |
| Non-current | | **30,467** | 10,360 |
| | | **413,976** | 380,192 |

**Provision for Long-term Employee Benefits**
A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

## NOTE 14: OTHER LIABILITIES

| | Notes | 2016 | 2015 |
|---|---|---|---|
| CURRENT | | | |
| Project liabilities | 14 (a) | **27,992** | 81,827 |
| Income received in advance | 14 (b) | **3,077,117** | 2,152,884 |
| | | **3,105,109** | 2,234,711 |

(a) Included in project liabilities in the 2016 and 2015 financial years respectively are the following:

| Project name | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Smart Approved Watermark | **27,992** | 81,827 |
| Total | **27,992** | 81,827 |

**NOTE 14: OTHER LIABILITIES (continued)**

(b) Included in Income received in advance in the 2016 and 2015 financial years respectively are the following:

| Project name | 2016 $ | 2015 $ |
|---|---|---|
| Prepaid Income | **10,383** | - |
| Business Case Development | **-** | 50,019 |
| Risk Management | **-** | 34,601 |
| Capturing asset register | **-** | 26,425 |
| Common analytical methods | **-** | 24,981 |
| SCADA standards | **-** | 13,476 |
| ISO55001 Guidelines | **40,177** | 21,088 |
| Metering support | **26,538** | 42,510 |
| Health & Safety | **14,500** | 4,500 |
| Efficiency Benchmarking | **22,645** | 387,597 |
| National Knowledge portal | **11,547** | - |
| Emerging pathogens | **78,500** | 77,500 |
| Guidelines management FFOG | **18,381** | 56,136 |
| Health Based target project | **-** | 25,000 |
| Smart Controls Drinking Water | **53,380** | 36,000 |
| JWWA Project | **10,000** | (3,150) |
| People culture control | **61,681** | 61,681 |
| Customer service benchmarking | **6,043** | - |
| Fostering innovation | **(2,832)** | - |
| AM Customer Projects | **1,062,180** | - |
| SCADA Guidelines Edition 2 | **171,230** | - |
| Cond Assess | **338,343** | - |
| KPIs/level of Service | **73,931** | - |
| Decentralised Service | **50,016** | - |
| Challenging Design assumptions | **36,977** | - |
| Value Chain | **14,000** | - |
| Workforce Skills of the future | **10,000** | - |
| Climate Change Adaptation guidelines | **9,727** | 63,974 |
| Waterreuse account | **28,098** | 43,789 |
| TAG Membership | **7,578** | (1,926) |
| Source catchment vs treatment | **49,825** | 184,416 |
| Asbestos cement pipes | **13,175** | 71,118 |
| Water Main Renewal Planning | **46,310** | 24,905 |
| Design Assurance Competency | **175,787** | 185,887 |
| Capital Investment Prioritisation | **-** | 56,924 |
| Ecological Footprint | **-** | 56,103 |
| Asset & Asset Performance Data | **4,700** | - |
| Asset Management Performance | **782** | 169,126 |
| Energy Benchmarking | **17,757** | 18,608 |
| Review of Vic water sector | **4,010** | 4,010 |
| Healthy Liveable Account | **78,543** | 17,890 |
| Asset Management account | **532,205** | 399,496 |
| | **3,077,117** | 2,152,884 |

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |

## NOTE 15: CASH FLOW INFORMATION

| | | | |
|---|---|---|---|
| **(a) Reconciliation of cash flow from operations with profit/(loss) after income tax** | | | |
| Profit after income tax | | **229,603** | 76,672 |
| Non-cash flows in profit/(loss): | | | |
| Depreciation expense | | **104,700** | 123,698 |
| Net loss on disposal of property, plant and equipment | | **9,420** | - |
| Changes in assets and liabilities: | | | |
| (Increase)/decrease in receivables | | **(513,146)** | 13,517 |
| Increase/(decrease) in payables | | **1,097,246** | 48,605 |
| Increase/(decrease) in provisions | | **33,784** | 93,898 |
| Cash flows from operations | | **961,607** | 356,390 |

## NOTE 16: MEMBERS GUARANTEE

The Company is limited by guarantee. If the Company is wound up the company constitution states that each member is required to contribute a maximum of $10 (2015:$10) each towards meeting any outstanding obligations of the Company. There were a total of 70 (2015: 64) members for the financial year ended 30 June 2016.

## NOTE 17: CAPITAL MANAGEMENT

Management controls the capital of the Company to ensure that adequate cash flows are generated to fund its operations and that returns from investments are maximised. The board of directors ensures that the overall risk management strategy is in line with this objective.

Risk management policies are approved and reviewed by the board on a regular basis. These include credit risk policies and future cash flows requirements.

The entity's capital consists of financial liabilities, supported by financial assets.

Management effectively manages the Company's capital by assessing the Company's financial risks and responding to changes in these risks and in the market. These responses include the management of debt levels.

There have been no changes in the strategy adopted by management to control the capital of the Company since prior year.

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |

**NOTE 17: CAPITAL MANAGEMENT (continued)**

The gearing ratios for the year ended 30 June 2016 and 30 June 2015 are as follows:

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |
| Trade and other payables | 12 | **455,509** | 228,661 |
| Other current liabilities | 14 | **3,105,109** | 2,234,711 |
| Less cash and cash equivalents | 6 | **(2,661,487)** | (3,315,081) |
| Net total | | **899,131** | (851,709) |
| Total equity | | **2,082,196** | 1,852,593 |
| **Total capital** | | **2,981,327** | 1,000,884 |
| Gearing ratio | | **n/a** | n/a |

**NOTE 18: RELATED PARTY TRANSACTIONS**

The directors are also board members of various water service related companies which are members of Water Services Association of Australia Limited. These transactions between related parties are on normal commercial terms and conditions are no more favourable than those available to other parties unless otherwise stated.

**NOTE 19: FINANCIAL RISK MANAGEMENT**

**(a) Financial Risk Management**

The Company's financial instruments consist mainly of deposits with banks, accounts receivables and accounts payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | 2016 | 2015 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **2,661,487** | 3,315,081 |
| Trade receivables | **1,019,623** | 495,402 |
| Other financial assets | **2,005,260** | 624,918 |
| Total financial assets | **5,686,370** | 4,435,401 |
| | | |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | | |
| Trade and other payables | **455,509** | 228,661 |
| Other current liabilities | **3,105,109** | 2,234,711 |
| Total financial liabilities | **3,560,618** | 2,463,372 |

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |

**NOTE 19: FINANCIAL RISK MANAGEMENT (continued)**

**(a) Financial Risk Management (continued)**

**Financial Risk Management Policies**

The directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations. The company does not have any derivative instruments at 30 June 2016.

The senior executives meet 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 senior executives overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The senior executives operate under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

**Specific Financial Risk Exposures and Management**

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

*(a) Interest Rate Risk*
The Company is not exposed to any material interest rate risk.

*(b) Liquidity Risk*
The Company manages liquidity risk by monitoring forecast cash flows and ensuring that there are sufficient funds to meet expenditure commitments.

**NOTE 19: FINANCIAL RISK MANAGEMENT (Continued)**

| | | | Fixed Interest Rate Maturities | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted Average Effective Interest Rate % | Floating Interest Rate $ | 1 year or less $ | 1 to 5 year $ | Over 5 year $ | Non-Interest Bearing $ | Total $ |
| **30 June 2016** | | | | | | | |
| **Financial Assets:** | | | | | | | |
| Cash and cash equivalents | 2.01 | 2,661,487 | - | - | - | - | 2,661,487 |
| Trade and other receivables | - | - | - | - | - | 1,019,623 | 1,019,623 |
| Other financial assets | 3.01 | - | 2,005,260 | - | - | - | 2,005,260 |
| Total Financial Assets | | 2,661,487 | 2,005,260 | - | - | 1,019,623 | 5,686,370 |
| **Financial Liabilities:** | | | | | | | |
| Trade and other payables | - | - | - | - | - | 455,509 | 455,509 |
| Other current liabilities | - | - | - | - | - | 3,105,109 | 3,105,109 |
| Total Financial Liabilities | - | - | - | - | - | 3,560,618 | 3,560,618 |

| | | | Fixed Interest Rate Maturities | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted Average Effective Interest Rate % | Floating Interest Rate $ | 1 year or less $ | 1 to 5 year $ | Over 5 year $ | Non-Interest Bearing $ | Total $ |
| **30 June 2015** | | | | | | | |
| **Financial Assets:** | | | | | | | |
| Cash and cash equivalents | 2.01 | 2,005,698 | 1,309,383 | - | - | - | 3,315,081 |
| Trade and other receivables | - | - | - | - | - | 495,402 | 495,402 |
| Other financial assets | 2.30 | - | 624,918 | - | - | - | 624,918 |
| Total Financial Assets | | 2,005,698 | 1,934,301 | - | - | 495,402 | 4,435,401 |
| **Financial Liabilities:** | | | | | | | |
| Trade and other payables | - | - | - | - | - | 228,661 | 228,661 |
| Other current liabilities | - | - | - | - | - | 2,234,711 | 2,234,711 |
| Total Financial Liabilities | - | - | - | - | - | 2,463,372 | 2,463,372 |

**NOTE 19: FINANCIAL RISK MANAGEMENT (Continued)**

*(c) Credit risk*
Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed on a company basis and reviewed regularly by the senior executives. Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the company, credit terms are generally 14 to 30 days from the date of invoice. Customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

*(d) Price risk*
The Company is not exposed to any material commodity price risk.

*(e) Foreign exchange risk*

The Company is not exposed to any foreign exchange risk

**Net Fair Values**

**Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the company. Most of these instruments which are carried at amortised cost (i.e. trade receivables, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the company.

## NOTE 19: FINANCIAL RISK MANAGEMENT (Continued)

**Net Fair Values (Continued)**

| | Footnote | 2016 Net Carrying Value $ | 2016 Net Fair Value $ | 2015 Net Carrying Value $ | 2015 Net Fair Value $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | (i) | **2,661,487** | **2,661,487** | 3,315,081 | 3,315,081 |
| Trade and other receivables | (i) | **1,019,623** | **1,019,623** | 495,402 | 495,402 |
| Other financial assets | (i) | **2,005,260** | **2,005,260** | 624,918 | 624,918 |
| **Total financial assets** | | **5,686,370** | **5,686,370** | 4,435,401 | 4,435,401 |
| **Financial liabilities** | | | | | |
| Trade and other payables | (i) | **455,509** | **455,509** | 228,661 | 228,661 |
| Other current liabilities | (i) | **3,105,109** | **3,105,109** | 2,234,711 | 2,234,711 |
| **Total financial liabilities** | | **3,560,618** | **3,560,618** | 2,463,372 | 2,463,372 |

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables, other financial assets and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

**Sensitivity Analysis**

Interest Rate Risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis has demonstrated that Water Services Association of Australia does not have a significant exposure to changes in interest rates.

## NOTE 20: CAPITAL AND LEASING COMMITMENTS

a) Operating Lease Commitments

| | 2016 | 2015 |
|---|---|---|
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payables – minimum lease payments | | |
| - not later than 12 months | **223,289** | 200,703 |
| - between 12 months and 5 years | **10,287** | 245,783 |
| | **233,576** | 446,486 |

The lease for the Melbourne premise is a 5 year lease which expires on 30 June 2017.

The lease for the Sydney premise is a 5 year lease which expires on 29 November 2016.

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |

## NOTE 20: CAPITAL AND LEASING COMMITMENTS (Continued)

| | | |
|---|---|---|
| b) Operating Research commitments contracted for: | | |
| Payables – minimum payments | | |
| - not later than 12 months | **1,505,847** | 742,174 |
| - between 12 months and 5 years | **1,980,000** | 1,980,000 |
| | **3,485,847** | 2,722,174 |

Commitments consist of contractual obligations for the company's operations and research projects (both existing and anticipated projects).

## NOTE 21: EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

## NOTE 22: CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities or contingent assets existing at the date of this report. The company is not involved in any material, legal or arbitration proceedings and, so far as directors are aware, no such proceedings are pending or threatened against the company.

## NOTE 23: COMPANY DETAILS

The registered office and principal place of business of the association is:

Water Services Association of Australia Limited
Level 8
401 Docklands Drive
DOCKLANDS VIC 3008

**WATER SERVICES ASSOCIATION OF AUSTRALIA LIMITED**
**ACN 117 907 285**

## DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 11 to 37 are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards; and

   (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Company.

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

| | |
|---|---|
| Director Louise Dudley | Director Adam Lovell |

Dated this 28th day of September 2016

McLean Delmo Bentleys
THINKING AHEAD

**McLean Delmo Bentleys Audit Pty Ltd**
Level 3, 302 Burwood Rd
Hawthorn Vic 3122
PO Box 582 Hawthorn Vic 3122
ABN 54 113 655 584
T +61 3 9018 4666
F +61 3 9018 4799
info@mcdb.com.au
mcleandelmobentleys.com.au

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF WATER SERVICES ASSOCIATION OF AUSTRALIA LIMITED**

We have audited the accompanying financial report of Water Services Association of Australia Limited, which comprises the statement of financial position as at 30 June 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

**Directors' Responsibility for the Financial Report**
The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Water Services Association of Australia Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

McLean Delmo Bentleys
THINKING AHEAD

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF WATER SERVICES ASSOCIATION OF AUSTRALIA LIMITED (Continued)**

**Opinion**
In our opinion, the financial report of Water Services Association of Australia Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

McLean Delmo Bentleys Audit Pty Ltd

**McLean Delmo Bentleys Audit Pty Ltd**

**Martin Fensome**
**Partner**

**Hawthorn**
23 September 2016

McLean Delmo Bentleys
THINKING AHEAD

**McLean Delmo Bentleys Audit Pty Ltd**
Level 3, 302 Burwood Rd
Hawthorn Vic 3122
PO Box 582 Hawthorn Vic 3122
ABN 54 113 655 584
T +61 3 9018 4666
F +61 3 9018 4799
info@mcdb.com.au
mcleandelmobentleys.com.au

**COMPILATION REPORT**
**TO THE DIRECTORS OF**
**WATER SERVICES ASSOCIATION OF AUSTRALIA LIMITED**

**Scope**

On the basis of information provided by the directors of Water Services Association of Australia Limited, we have compiled in accordance with APES 315 Compilation of Financial Information the detailed statement of profit or loss and other comprehensive income of Water Services Association of Australia Limited for the year ended 30 June 2016 as set out on pages 42 to 43.

The specific purpose for which the detailed statement of comprehensive income has been prepared is to provide private information to the directors. No accounting standards and other mandatory professional reporting requirements have been adopted in the preparation of the detailed statement of profit or loss and other comprehensive income.

The directors are solely responsible for the information contained in the detailed statement of profit or loss and other comprehensive income and have determined that the accounting policies used are consistent and are appropriate to satisfy the requirements of the directors.

Our procedures used accounting expertise to collect, classify and summarise the financial information, which the directors provided, into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the association, may suffer arising from any negligence on our part. No person should rely on the detailed statement of profit or loss and other comprehensive income without having an audit or review conducted.

The detailed statement of profit or loss and other comprehensive income was prepared for the benefit of the association and its directors and the purpose identified above. We do not accept responsibility to any other person for the contents of the detailed statement of profit or loss and other comprehensive income.

McLean Delmo Bentleys Audit Pty Ltd

**McLean Delmo Bentleys Audit Pty Ltd**

**Martin Fensome**
**Partner**

**Hawthorn**
23 September 2016

**WATER SERVICES ASSOCIATION OF AUSTRALIA LIMITED**
**ACN 117 907 285**

**PRIVATE INFORMATION FOR THE DIRECTORS**
**ON THE 2016 FINANCIAL STATEMENTS**

## DETAILED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

| | 2016 $ | 2015 $ |
|---|---|---|
| **INCOME** | | |
| Publication sales | **984** | 1,650 |
| Product sales | **547,139** | 469,510 |
| Members fees | **4,142,537** | 3,936,396 |
| Research contributions | **-** | - |
| Subscription projects | **3,835,546** | 2,651,624 |
| Interest income | **89,446** | 93,401 |
| Workshop income | **107,793** | 100,742 |
| Other income | **59,347** | 43,761 |
| **TOTAL INCOME** | **8,782,792** | 7,297,723 |
| **EXPENDITURE** | | |
| Accounting fees | **50,755** | 60,833 |
| Advertising | **-** | 445 |
| Audit fees | **15,710** | 13,674 |
| Bad debts | **-** | 9,118 |
| Bank charges | **19,702** | 12,641 |
| Computer expenses | **199,604** | 171,299 |
| Consultancy fees | **557,768** | 428,576 |
| Conferences and seminars | **37,891** | 19,080 |
| Depreciation | **104,701** | 123,698 |
| Doubtful debts | **6,943** | - |
| Electricity | **19,877** | 17,901 |
| Entertainment expenses | **-** | 2,400 |
| Financial Support | **10,000** | 10,000 |
| Fringe benefits tax | **121** | 6,677 |
| General expenses | **66,428** | 53,616 |
| Holiday pay | **33,785** | 93,898 |
| Insurance | **12,845** | 12,362 |
| Legal costs | **-** | - |
| Loss on projects | **-** | 32,069 |

These financial statements should be read in conjunction with the attached compilation report.

**WATER SERVICES ASSOCIATION OF AUSTRALIA LIMITED**
**ACN 117 907 285**

**PRIVATE INFORMATION FOR THE DIRECTORS**
**ON THE 2016 FINANCIAL STATEMENTS (CONTINUED)**

**DETAILED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 JUNE 2016**

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Loss on disposal/revaluation of non-current assets | **9,420** | - |
| Payroll tax | **-** | - |
| Postage | **2,338** | 4,436 |
| Printing and stationery | **15,570** | 19,030 |
| Refunds | **4,735** | - |
| Rent | **256,210** | 237,148 |
| Repairs and maintenance | **3,395** | 3,329 |
| Salaries and wages | **1,987,604** | 1,913,225 |
| Staff amenities | **2,817** | 2,032 |
| Staff training and welfare | **18,274** | 10,498 |
| Subscription project expense | **3,835,546** | 2,647,120 |
| Subscriptions | **486,641** | 585,249 |
| Superannuation | **214,380** | 195,110 |
| Target based reward | **215,740** | 160,829 |
| Telephone | **51,735** | 52,844 |
| Travelling expenses | **248,282** | 238,416 |
| Workshop expenses | **59,990** | 79,871 |
| Currency exchange loss | **4,382** | 3,627 |
| **TOTAL EXPENDITURE** | **8,553,189** | 7,221,051 |
| **OPERATING PROFIT** | **229,603** | 76,672 |

These financial statements should be read in conjunction with the attached compilation report.