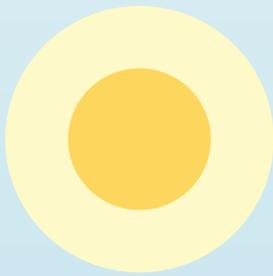




City West Water

Annual Report

2016



Contents

A message from the Chairman and Managing Director	4	14. Non-current assets - Intangible assets	71
Report of Operations	6	15. Current liabilities - Payables	73
Performance Report	30	16. Current liabilities - Borrowings	73
Certification of Performance Report	33	17. Current liabilities - Current tax liability	73
Major non-residential water users	36	18. Current liabilities - Other provisions	74
Risk Management Attestation	37	19. Current liabilities - Unearned income	74
Statement of Profit or Loss and Other Comprehensive Income	38	20. Current liabilities - Other	74
Balance Sheet	39	21. Non-current liabilities - Borrowings	75
Statement of Changes in Equity	40	22. Equity	75
Statement of Cash Flows	41	23. Responsible persons and executives	76
1. Summary of significant accounting policies	42	24. Remuneration of auditor	79
2. Financial risk management objectives and policies	53	25. Contingent assets and liabilities	80
3. Revenue and other income	56	26. Commitments for expenditure	81
4. Expenses	57	27. Provision for employee benefits	82
5. Income tax	58	28. Related party disclosure	88
6. Deferred tax assets and deferred tax liabilities	59	29. Economic dependency	94
7. Dividends	61	30. Ex gratia expenses	94
8. Current assets - Cash and cash equivalents	61	31. Reconciliation of profit after income tax to net cash inflow from operating activities	95
9. Current assets - Receivables	61	32. Financial instruments	96
10. Current assets - Prepayments	62		
11. Current assets - Non-current assets classified as held for sale	63	Statutory Certification	101
12. Non-current assets - Receivables	63	Appendix 1 - Disclosure Index	104
13. Non-current assets - Infrastructure, property, plant and equipment	64	Appendix 2 - Key Performance Indicators	106
		Appendix 3 - Bulk Water Entitlement Reporting	107

A message from the Chairman and Managing Director

City West Water enjoyed an excellent year in 2015-16 driven by strong financial performance, consistent service delivery and a continued focus on meeting the needs of our customers.

The most pleasing aspect of the year was the success that was achieved amid a period of transition for the corporation, and at a time when the operating environment has never been more challenging. This has involved keeping pace with the ever increasing infrastructure and urban development of Melbourne's outer western suburbs - an area that ranks among Australia's fastest growing regions - while managing the significant effects of climate change on local water supplies.

Financial performance

City West Water delivered a profit before tax of \$65.7 million, well above budget of \$42 million.

The strong result was achieved off the back of higher than expected revenues from water sales, sewage disposal activities and property development projects, along with lower than expected finance charges and disciplined cost management. The result, on the other hand, was offset by a decision to withhold the introduction of occupancy-based service charges. In addition, water purchase fees for 2015-16 were up marginally on the previous year, putting them slightly above budget.

During 2015-16, we made considerable progress towards our strategic objectives. This included recommencing production from our largest recycled water site, the Altona Recycled Water Plant, which has us well on the way to producing around 2GL a year. In addition, after an extensive procurement process, we committed to a preventative and responsive network maintenance contract.

City West Water's business transformation program, the Arrow Program, involves the staged replacement of existing business systems and processes with an integrated suite of systems. This is designed to enable faster, evidence based decision making and significant improvements in productivity and customer service. The program faced some challenges during the year and, as a result, the Board resolved to write-down certain elements of the program. We believe this was the right and appropriate course of action to ensure the program has the best chance of success going forward.

Delivering for our customers

Our primary reason for being is to ensure that customers have safe and reliable access to water, along with sewerage and trade waste management services. It's also our aim to deliver these services at the lowest price possible. To that end, we're proud to have the lowest average residential water bill of any of the major water utilities and we continue to achieve the savings identified under the Government Efficiency Program which provides genuine bill relief for Melbourne households.

During the year, we offered once again a \$100 rebate on bills for our residential customers. We were able to do this by finding savings of some \$38 million through a range of capital and operating efficiency initiatives.

Our customer base grew by 3.6 per cent for the year. With a high concentration of commercial and industrial clients, and significant rates of growth in residential communities, the constant challenge - and opportunity - for City West Water is to facilitate the emergence of new businesses and growth in residential customer numbers by ensuring that we continue to deliver the right services, to the right places, at the right times.

If we do this, we'll be well placed to build on the strong customer satisfaction rating of 84 per cent which we were able to achieve in 2015-16.

Playing our part in delivering the *Water for Victoria* policy continues to be a focus for the corporation. The recent dry conditions in our water catchment highlight the need for ongoing attention to water resource management. With that in mind, we continue to assess all potential sources of supply through an integrated water cycle management planning framework. We also have a long standing program directed towards encouraging efficient water use and supporting the efficiency of commercial production.

People

A year of success like the one just gone is difficult to achieve without the commitment and capability of our team of people across City West Water. And, it's a team that, increasingly, reflects the rich diversity of the communities we serve. Certainly, it's our mission at City West Water to keep fostering a workforce that is diverse in every sense of the word.

Similarly, we have an unwavering focus on safety in the workplace for our staff and contractors. While we've made good progress in this regard, occupational health and safety remains a key priority for the corporation and it's why we continue to invest in the best training programs and operational systems on behalf of our people.

The past year has seen considerable change at Board and executive level following the retirement of Anne Barker as Managing Director after 13 years of service, and the formation of a new look Board following the departure of a number of directors.

We'd like to take the opportunity to thank Anne and the departing directors for their outstanding contribution to the corporation, and to acknowledge the important role each of them played in effecting a seamless transition so that City West Water could continue delivering to the expectations of our customers and the broader community. We also take the opportunity to welcome the new directors whose terms commenced in October 2015.

Looking ahead

Building on the achievements of 2015-16, the Board and the management team is looking at the development of a new strategy for City West Water. The team is also focused on delivering across a number of fronts for the year ahead, including:

- continued focus on efficient service delivery and participation in the Government Efficiency Program
- participation in the implementation of the *Water for Victoria* policy
- commissioning of our West Werribee salt reduction facility and the operation of our West Werribee aquifer storage and recovery scheme
- ongoing implementation of the *Greening the West* strategy
- customer consultation on key strategies and plans including a new City West Water Urban Water Strategy and a 2018 pricing submission.

On a broader level, City West Water will look to develop an organisational response to emissions reduction and renewable energy initiatives, including establishing targets for each.

On behalf of the Board and executive team, we look forward to your continued support as we work towards another successful year in 2016-17.



David Middleton
Chairman



David Ryan
Managing Director

Melbourne
9 September 2016

Report of Operations

General information

City West Water Corporation is a statutory water authority incorporated under the *Water Act 1989*. It is one of three retail water corporations in metropolitan Melbourne owned by the Victorian Government. The Minister responsible for City West Water for the period from 1 July 2015 to 30 June 2016 was the Hon. Lisa Neville MP. The Hon. Lisa Neville was the Minister for Environment, Climate Change and Water from 1 July 2015 to 22 May 2016 and Minister for Water from 23 May 2016 to 30 June 2016.

City West Water's core business is the supply of water, sewerage, trade waste and, where available, recycled water services to customers in accordance with the corporation's Customer Charter. City West Water services more than 429,000 residential and business customers in Melbourne's central business district, and inner and western suburbs.

Each year, City West Water supplies around 100 billion litres of drinking water to customers and transfers approximately 94 per cent of sewage and trade waste collected to Melbourne Water's Western Treatment Plant at Werribee. The remaining six per cent is treated at City West Water's Altona Treatment Plant.

City West Water operates under statements of obligations issued by the Minister for Water under section 41 of the *Water Industry Act 1994*. The statements impose obligations on City West Water regarding the performance of its functions and exercise of powers. City

West Water is required to monitor compliance with the obligations set out in the statements, report on non-compliance, and take remedial action as required.

The Essential Services Commission (ESC) is City West Water's economic regulator. The ESC approves the prices the corporation charges its customers, as well as the standards of service the corporation delivers. City West Water is required to submit a five year Water Plan to the ESC which details outcomes that the corporation intends to achieve, as well as proposed prices. The ESC undertakes a public review of City West Water's Water Plan in consultation with all stakeholders. The current Water Plan took effect from 1 July 2013.

City West Water's drinking water quality is regulated by the Department of Health and Human Services under the *Safe Drinking Water Act 2003*, and its recycled water quality is regulated by the Environment Protection Authority (EPA) under the *Environment Protection Act 1970*. The management of the corporation's sewerage responsibilities is also regulated by the EPA.

Vision

To be a truly sustainable water business.

Mission

Guarantee affordable and safe water for today and tomorrow.

Values

Leadership, integrity, innovation, respect.

Organisational structure



The Hon. Lisa Neville MP was appointed as the Minister for Environment, Climate Change and Water in December 2014, then as Minister for Water on 23 May 2016. As Minister for Water the Hon. Lisa Neville is responsible for urban water, irrigation water, groundwater, water corporations and governance, allocation and trading, permanent water use rules and water restrictions.

The Minister for Water appoints the directors of City West Water and the Victorian Government sets their remuneration. Directors are eligible for reappointment for subsequent terms. The Board is responsible for setting and overseeing the policies, objectives and strategies of City West Water, and for ensuring that risk is appropriately managed.

The Board meets 11 times a year with additional meetings held on an as needs basis. It is committed to performing its role in accordance with the highest standards of corporate governance. There were five committees of the Board for 2015-16. The Risk Management and Audit Committee usually meets five times a year and the Health, Safety and Environment Committee meets four times a year. The Executive Remuneration Committee, the Arrow Program Committee and the New Maintenance Contract Committee meet as required. The Arrow Program Committee was discontinued during the year.

The Board approves budgets and significant projects, reviews corporate policies and strategies and oversees progress on key issues affecting the corporation.

The Board comprises eight non-executive directors and the Managing Director. Each Director brings specialist skills to City West Water. All non-executive directors are independent.

The Board reviews its own performance on a regular basis and reports to the Minister for Water and the Treasurer of Victoria on the outcomes of these reviews.

Report of Operations (continued)

DIRECTOR	EXPERIENCE	COMMITTEE MEMBERSHIP
<p>David Middleton Chairman B. Eng, M. Eng, MBA, GAICD</p>	<p>David was a Director at Yarra Valley Water from October 2011 to September 2015. He was appointed Deputy Chair in 2013 at Yarra Valley Water and served on all three Board committees. Mr Middleton has held various roles at CH2M Hill Australia including Regional Business Group Manager. He is currently Chair at CH2M Beca Limited, and Executive Director at both CH2M Hill Australia Pty Ltd and Halcrow Pacific Pty Ltd. Mr Middleton has extensive international experience in the water industry and brings a network which includes leadership in the major water utilities in Australia, Asia and the UK. Previously, he has held operational roles with Melbourne Water, Western Water, and Goulburn Valley Water. Mr Middleton has a Bachelor of Engineering (Civil), a Master of Engineering (Environmental), and a Master of Business Administration (Technology Management)</p> <p>Commenced as a Director 1 October 2015.</p>	<p>Executive Remuneration Committee (Chairman)</p> <p>Health, Safety and Environment Committee</p> <p>Risk Management and Audit Committee</p> <p>Ex-officio member of all other Board committees.</p>
<p>David Ryan Managing Director B.Env.Sc, MBA, MCorpEnv&SusMgt.</p>	<p>David was the Executive General Manager, Service Delivery at Melbourne Water and has more than 13 years of experience in the water sector. He is passionate about workplace culture, diversity, innovation and safety. He has led significant pieces of work at Melbourne Water including the implementation of a number of new systems. These have included the recently completed asset management system and the development of new maintenance and capital delivery arrangements, including the insourcing of the waterways and drainage delivery mechanisms.</p> <p>Commenced as Managing Director 14 June 2016.</p>	<p>Health, Safety and Environment Committee</p> <p>New Maintenance Contract Committee</p>
<p>Anne Barker Managing Director LLB, MAICD.</p>	<p>Anne was appointed City West Water's Managing Director in November 2002. Ms Barker practised law before gaining broad management experience with Myer Stores and the ANZ Banking Group. Prior to joining City West Water, Ms Barker was the Executive Manager of the Commercial and Revenue divisions at SPI Powernet where she gained extensive experience working in a regulated utility environment. Her other board experience includes Chair of Whitelion, and Director of the Water Services Association of Australia, the MFB and LeadWest.</p> <p>Ceased as Managing Director 31 March 2016.</p>	<p>Health, Safety and Environment Committee</p> <p>New Maintenance Contract Committee</p>
<p>Philip Clark B. Eng, MBA, MAICD, MAusIMM</p>	<p>Philip is a private business advisor with Phil Clark and Associates. He was previously Vice President, Resource Development for BHP Billiton Coal and has had an extensive career with BHP spanning more than 30 years. He is the Chairperson of Engineers Without Borders and is member of its Finance and Audit Committee. He is also a member of African Energy Resources Limited and its Audit and Remuneration Committee.</p> <p>Commenced as a director on 1 October 2013.</p>	<p>New Maintenance Contract Committee (Chairman)</p> <p>Health Safety and Environment Committee</p>
<p>Mary-Beth Bauer BA, FAICD, ACA, CPA(US)</p>	<p>Mary-Beth is an active board member with more than 16 years' experience as Chairman, and Chair of Remuneration, and Audit and Risk Committees. She has more than two decades' experience as a senior executive, advising CEOs and boards across Australia in a diverse range of industries. She is one of Australia's leading experts on stakeholder engagement. Mary-Beth has a strong focus on governance, and her professional experience includes finance, audit and risk, business strategy development, financial markets, mergers and acquisitions, and all aspects of investor and stakeholder relations, and strategic communications. Recent experience has given her a range of exposures to the commercialisation of digital media and fintech products. She also serves on the Board of Box Hill Institute and Springboard Australia.</p> <p>Commenced as a Director 1 October 2015.</p>	<p>Risk Management and Audit Committee</p> <p>New Maintenance Contract Committee</p> <p>Executive Remuneration Committee</p>

DIRECTOR	EXPERIENCE	COMMITTEE MEMBERSHIP
<p>Bruce Cohen B.Comm, LLB, M.Comm, PHD,(Pub. Policy).</p>	<p>Bruce is a barrister and principal at BKE Consulting. During his career he has been a Director at Melbourne Water, Snowy Hydro Ltd, and Victorian Energy Networks Corporation, as well as a Commissioner at the Victorian Competition and Efficiency Commission. Dr Cohen is currently the Chair at the Victorian Commission for Gambling and Liquor Regulation. He has a Bachelor of Commerce, a Bachelor of Laws, a Master of Commerce and a Doctorate of Philosophy in Public Policy.</p> <p>Commenced as a Director 1 October 2015.</p>	<p>Risk Management and Audit Committee</p>
<p>Bill Jaboor MBA, Assoc. Dip. Business Studies, Grad. Dip. Local Government.</p>	<p>Bill has more than 45 years of experience working in different roles within local government across Victoria and Queensland. Over the past 20 years he has been CEO at the cities of Brimbank, Hobsons Bay, Greater Shepparton and Benalla. He is Chair of the Western Melbourne Regional Development Australia Committee, Chair of Alpine Resorts Co-ordinating Council, and Board Member of Community Chef. His qualifications include an Associate Diploma of Business Studies (RMIT), a Bachelor of Arts Degree (University of Queensland), and an MBA (Deakin University). He has completed a short course for State and Local Government Executives at Harvard University and became a Williamson Leadership Fellow in 1996.</p> <p>Commenced as a Director 1 October 2015.</p>	<p>Health, Safety and Environment Committee Executive Remuneration Committee</p>
<p>Kim McAliney B. Bus Acc. (Law), Adv. Dip. Public Safety - Emergency Management, FCPA, GAICD.</p>	<p>Kim currently sits on several boards including the Greater Metropolitan Cemeteries Trust and she is chair of the Salvation Army - State Social Command Advisory Board. Kim has a range of board and committee experience including seven years as a local councillor and mayor of the City of Wyndham in 2007-08 and 2011-12, chairing Wyndham's Municipal Emergency Management Planning Committee 2007-12. She is a past Director of South Western Melbourne Medicare Local, LeadWest and Wyndham Legal Service. Her career spans more than 25 years with accountancy firms, aged care, and a multi-national company to, most recently working for a national crisis counselling service. Her professional memberships include CPA Australia, the Australian Institute of Company Directors, and the Royal Victorian Association of Honorary Justices.</p> <p>Commenced as a Director 1 October 2015.</p>	<p>Health, Safety and Environment Committee (Chair) Risk Management and Audit Committee</p>
<p>Elizabeth Parkin Deputy Chair B. Bus. Studies, Grad. Dip. Finance, ACA.</p>	<p>Elizabeth has over 30 years' experience in senior executive and corporate advisory roles, working for such firms as KPMG, Lander and Rogers and EL&C Baillieu and continues to operate her own consulting business Parkin Corporate. She has over 15 years' experience in non-executive roles and is currently Deputy Chair of First Samuel and a Trustee of the Northcote Trust Fund. She was previously a Director of Yarra Valley Water, North East Region Water Authority and the Port of Melbourne. Ms Parkin has a Bachelor of Business Studies and a Graduate Diploma in Finance.</p> <p>Commenced as a Director 1 October 2015.</p>	<p>Risk Management and Audit Committee (Chair) Executive Remuneration Committee</p>
<p>Constantina Dertimanis Grad. Dip. International Studies, Econ., BA</p>	<p>Constantina is currently Manager, Policy and Advocacy with Volunteering Victoria and previously was Senior Advisor, Policy and Community Engagement with Special Broadcasting Services. She has extensive experience in public policy through her roles advising federal and state ministers and members of parliament. Ms Dertimanis has a Graduate Diploma in International Studies and a Bachelor of Arts - Major in Government, Philosophy and Economics.</p> <p>Commenced as a Director 28 April 2016.</p>	<p>Health, Safety and Environment Committee Executive Remuneration Committee</p>

Report of Operations (continued)

DIRECTOR	EXPERIENCE	COMMITTEE MEMBERSHIP
<p>The Hon. Alan Stockdale AO Chairman LLB, BA, FAICD.</p>	<p>Alan was appointed Chairman of City West Water on 1 October 2011. He is a part-time consultant with Maddocks Lawyers and Metro Trains Melbourne Pty Ltd. He is Chairman of the Medical Research Commercialisation Fund (2007 - current) and KNOSYS Limited (April 2015 - current), a CEO Syndicate for the CEO Institute and the MBAV Foundation (2008 - current), Immediate Past Federal President of the Liberal Party of Australia having been Federal President (2008 - 2014), a Director of NSW Treasury Corporation (2005 - current), and a member of the Advisory Board of Lazard Australia (2011 - current). He has extensive corporate experience including roles with Macquarie Infrastructure Group and Macquarie Bank, and as Chairman or a Director of several ASX-listed companies. Mr Stockdale was a member of the Victorian Parliament (1985 - 1999) and was Victorian Treasurer (1992 - 1999) and Minister for IT and Multimedia (1996 - 1999). He holds Bachelor of Laws and Bachelor of Arts degrees and is a Fellow of the Australian Institute of Company Directors.</p> <p>Ceased as a Director 30 September 2015.</p>	<p>Executive Remuneration Committee (Chairman)</p> <p>Ex-officio member of all other Board committees except the New Maintenance Contract Committee</p>
<p>Debra Goodin B.Ec, FCA, MAICD.</p>	<p>Debbie was appointed a Director of City West Water on 1 October 2011 and was the Deputy Chairperson of the Board. She is a professional non-executive director and has previously held executive leadership positions in operations, finance, project delivery, corporate strategy, mergers and acquisitions and corporate services roles in both the public and private sectors. Debbie has experience working globally and in publicly listed companies. She is a Director of APA Group Limited, Senex Energy Limited, and Ooh Media Limited and she is also a member of the Finance and IT Committee for the Royal Women's Hospital. Ms Goodin has a Bachelor of Economics, is a Chartered Accountant and Member of the Institute of Company Directors.</p> <p>Ceased as a Director 30 September 2015.</p>	<p>Risk Management and Audit Committee (Chairman)</p> <p>Executive Remuneration Committee</p> <p>Arrow Program Committee (Chairman)</p>
<p>Vivienne Nguyen B.Comm, M. App. Fin.</p>	<p>Vivienne was appointed a Director on 1 October 2013. She was previously a director of Grampians Wimmera Mallee Water Corporation. Her most recent position was as Principal Consultant with Oppeus International (2012 - June 2013), and she has held various senior executive roles with ANZ Bank (2004 - 2011) including Group Head of Diversity and Senior Manager Risk Planning and Development. She was a member of the board of Western Health (2009 - 2013) and was a former Trust member of Queen Victoria Women's Centre (2006 - 2010). Vivienne has a Bachelor of Commerce and Master of Applied Finance.</p> <p>Ceased as a Director 30 September 2015.</p>	<p>Risk Management and Audit Committee</p>
<p>Jan Begg B.Sc. (Hons), MBA FAICD.</p>	<p>Jan was appointed a Director on 1 October 2011. She is an experienced non-executive director, chair and an independent member of audit committees and advisory boards and the Managing Director of Azulin Pty Ltd, an independent business and governance consultancy. Ms Begg previously had senior executive roles in Australia, UK and USA. Her non-executive experience includes nursing and primary healthcare, education and infrastructure organisations. Ms Begg has a Bachelor of Science (Honours) and a Master of Business Administration and is a Fellow of the Australian Institute of Company Directors. She is the Chair and AICD representative of the Standards Australia IT Governance committee, chair elect of the ISO committee and leads the Australian delegation internationally. She has undertaken research and authored academic papers in the areas of strategy implementation and project governance.</p> <p>Ceased as a Director 30 September 2015.</p>	<p>Health, Safety and Environment Committee (Chair)</p> <p>Arrow Program Committee</p>

DIRECTOR	EXPERIENCE	COMMITTEE MEMBERSHIP
<p>Peter McKeown B.Ec, LLB, GradDipLaw, SJD.</p>	<p>Peter was appointed a Director on 1 October 2012. He is a consultant with a background as general counsel for public companies in the primary industry sector and, prior to that, as a legal practitioner in private and government practice. Peter is Company Secretary of Graziers' Investment Company Limited and GIC Holdings Pty Ltd. He is a senior fellow of the law faculty at Monash University. He is a lay member on the St Vincent's Hospital Animal Ethics Committee and the external lawyer on the Australian Catholic University Human Research Ethics Committee. Peter was Chairman of the Executive Management Committee of Graziers Investment Company Limited (formerly Australian Wool Services Ltd) and General Counsel and Company Secretary for the Australian Wheat Board and AWB Limited. He has been Chairman of the Mount Lilydale College Advisory Board. Dr McKeown has a Bachelor of Economics, Bachelor of Laws, Graduate Diploma in Law and a Doctor of Juridical Science, all from Monash University. He is also an Australian Legal Practitioner.</p> <p>Ceased as a Director 30 September 2015.</p>	<p>Health, Safety and Environment Committee</p> <p>Risk Management and Audit Committee</p> <p>New Maintenance Contract Committee</p>
<p>Fiona Pearce B.Ec, FCPA, FAICD.</p>	<p>Fiona was appointed a Director on 1 October 2012. She has extensive financial and commercial experience gained from a variety of executive and non-executive director roles. Her executive career comprised various finance and tax roles at large global companies, mainly at BHP Billiton, the world's largest diversified resources company, and also at BlueScope Steel, one of Australia's largest manufacturers. Fiona has worked in industries as diverse as petroleum, transport, utilities, insurance and steel in senior financial roles at the coalface, in financial and tax oversight, advisory and planning roles at corporate head office and as a non-executive director. She is an independent non-executive director at World Vision Australia, Australia's largest charity, and is a non-executive director at one of Australia's leading independent schools, Scotch College. Fiona holds a Bachelor of Economics majoring in accounting. She is a Fellow of CPA Australia and is a Fellow of the Australian Institute of Company Directors.</p> <p>Ceased as a Director 30 September 2015.</p>	<p>Risk Management and Audit Committee</p> <p>Executive Remuneration Committee</p> <p>Arrow Program Committee</p> <p>New Maintenance Contract Committee</p>

Report of Operations (continued)

Board committees

Risk Management and Audit Committee

The Risk Management and Audit Committee assists the Board of Directors in fulfilling its corporate governance responsibilities by reviewing financial reports and other financial information produced by City West Water. In addition, it provides oversight of, and direction to City West Water's internal control systems, legal and regulatory compliance processes, auditing and reporting processes, and risk management systems. All members of the Risk Management and Audit Committee are independent.

Occupational Health and Safety/Health, Safety and Environment Committee

The Health, Safety and Environment Committee assists the Board in fulfilling its corporate governance responsibilities in relation to workplace health and safety, and environment issues. It does this by providing oversight of, and direction to City West Water's occupational health and safety, and environment policies and procedures, and related audit and reporting processes. In addition, it ensures the continuous improvement of City West Water's policies and procedures for workplace health and safety, and environment. During 2015-16 the Occupational Health and Safety Committee was renamed the Health, Safety and Environment Committee.

Executive Remuneration Committee

The Executive Remuneration Committee is responsible for setting City West Water's policy on executive remuneration and individual remuneration packages for senior executives. In July 2016, the scope of the committee was expanded and it was renamed the People, Diversity and Executive Remuneration Committee.

New Maintenance Contract Committee

During 2014-15, the Board determined to constitute a committee to undertake detailed oversight of the procurement and implementation of the new maintenance contract. The committee assists the Board to discharge its responsibility to ensure that overall decision making is transparent, and that the implementation of the new maintenance contract is well managed and delivers optimal outcomes for the corporation by providing assistance, oversight and direction. The committee also serves to encourage and guide management's efforts to achieve the best outcomes from the implementation of the new maintenance contract.

Arrow Program Committee

During 2013, the Board asked three directors to form an informal advisory committee to advise it on specific issues relating to the Arrow Program, a business transformation program based on upgrading most business systems to a common enterprise platform. The Arrow Program Committee was formally constituted in June 2014 when the Board approved its charter. The committee was discontinued in October 2015 so that the entire Board could be more strongly involved with the governance of the Arrow Program.

Attendance at Board and committee meetings

	BOARD OF DIRECTORS MEETINGS		RISK MANAGEMENT AND AUDIT COMMITTEE MEETINGS		OCCUPATIONAL HEALTH AND SAFETY / HEALTH, SAFETY AND ENVIRONMENT COMMITTEE MEETINGS	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
David Middleton ¹	8	7	3	3	3	3
Anne Barker ⁴	8	8	n/a	4 ³	3	3
David Ryan ⁶	1	1	n/a	n/a	1	0
Philip Clark	11	10	n/a	1 ³	4	3
Mary Beth Bauer ¹	8	6	3	3	n/a	n/a
Bruce Cohen ¹	8	8	3	2	n/a	n/a
Bill Jaboor ¹	8	8	n/a	n/a	3	3
Kim McAliney ¹	8	8	3	3	3	3
Elizabeth Parkin ¹	8	8	3	3	n/a	n/a
Constantina Dertimanis ⁵	2	2	n/a	n/a	n/a	1 ³
The Hon. Alan Stockdale ²	3	3	2	1	1	1
Debra Goodin ²	3	3	2	2	n/a	n/a
Vivienne Nguyen ²	3	2	2	2	n/a	n/a
Jan Begg ²	3	3	n/a	n/a	1	1
Peter McKeown ²	3	3	2	2	1	1
Fiona Pearse ²	3	3	2	2	n/a	n/a

	EXECUTIVE REMUNERATION COMMITTEE MEETINGS		ARROW PROGRAM COMMITTEE MEETINGS		NEW MAINTENANCE CONTRACT COMMITTEE MEETINGS	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
David Middleton ¹	1	1	n/a	n/a	n/a	n/a
Anne Barker ⁴	n/a	2 ³	4	4	6	5
David Ryan ⁶	n/a	n/a	n/a	n/a	n/a	n/a
Philip Clark	n/a	n/a	n/a	n/a	6	6
Mary Beth Bauer ¹	n/a	n/a	n/a	n/a	4	4
Bruce Cohen ¹	n/a	n/a	n/a	n/a	n/a	n/a
Bill Jaboor ¹	1	1	n/a	n/a	n/a	n/a
Kim McAliney ¹	n/a	n/a	n/a	n/a	n/a	n/a
Elizabeth Parkin ¹	1	1	n/a	n/a	n/a	n/a
Constantina Dertimanis ⁵	n/a	n/a	n/a	n/a	n/a	n/a
The Hon. Alan Stockdale ²	1	1	n/a	n/a	n/a	n/a
Debra Goodin ²	1	1	4	4	n/a	n/a
Vivienne Nguyen ²	n/a	n/a	n/a	1 ³	n/a	n/a
Jan Begg ²	n/a	n/a	4	4	n/a	n/a
Peter McKeown ²	n/a	n/a	n/a	n/a	2	2
Fiona Pearse ²	1	1	4	4	2	2

¹ Commenced as a Director on 1 October 2015.

² Ceased as a Director on 30 September 2015.

³ The Director attended but was not a member of the committee.

⁴ Ceased as a Director on 31 March 2016.

⁵ Commenced as a Director on 28 April 2016.

⁶ Commenced as a Director on 14 June 2016.

Report of Operations (continued)

Occupational health and safety

City West Water is committed to providing healthy and safe workplaces for all employees, contractors, customers and the public who access City West Water's workplaces. Occupational health and safety (OH&S) is a core value of City West Water. The corporation views expenditure on OH&S as an investment rather than a cost, and expects a strong commitment from all levels of the corporation.

City West Water's OH&S policy is reviewed by the Board every two years. The policy adopts the general principles outlined in the standard *AS 4801:2001 (Occupational Health and Safety Management Systems)* which describes a systematic management approach that assists in sustained occupational health and safety improvement.

The policy seeks to support the objectives of ensuring:

- compliance with relevant OH&S legislation and regulations including the *Occupational Health & Safety Act 2004*, and the *Occupational Health & Safety Regulations 2007*
- that all employees and contractors are made aware of the health and safety requirements of City West Water
- the development, implementation and enhancement of the City West Water OH&S management system
- systematic auditing and review of the OH&S management system
- implementation of risk management processes involving the identification, analysis, assessment, treatment and ongoing monitoring of risks to the safety of City West Water staff, customers, visitors, contractors, and the public.

The following table outlines City West Water's OH&S performance:

CITY WEST WATER EMPLOYEES	2015-16	2014-15	2013-14
Hazards reported per 100 full time equivalent staff	2.8	3.6	2.7
Incidents per 100 full time equivalent staff	13.8	7.7	8.1
Lost time standard claims per 100 full time equivalent staff	0.23	0.72	0.25
Average cost per claim (including payments to date and estimated outstanding claim costs)	\$57,739	\$22,314	\$2,107
Serious injury frequency rate per million hours worked (including City West Water and major contractors)	8.6	7.9	9.5

Key initiatives and projects

The Arrow Program

City West Water's business transformation program, the Arrow Program, involves the staged replacement of existing business systems and processes with an integrated suite of systems. This is designed to enable faster, evidence based decision making and significant improvements in productivity and customer service. The program faced some challenges during the year and, as a result, the Board resolved to write-down certain elements of the program in order to ensure the program has the best chance of success going forward.

New Maintenance Contract

City West Water outsources all of its maintenance activities. Over an 18 month period beginning in early 2015, City West Water undertook an extensive procurement process to appoint a service provider for the next five years. After a rigorous process, the Board approved the decision to appoint Programmed Facility Management.

West Werribee Dual Water Supply

The West Werribee Dual Water Supply project is the largest single capital expenditure project City West Water has undertaken to date. On completion, the project will provide high quality Class A recycled water to 35,000 customers in West Werribee and is expected to save more than three billion litres of drinking water every year. The project is currently in the commissioning phase and is expected to commence supply during the 2016-17 year.

Workforce data

City West Water complies with the *Public Administration Act 2004*. Employees are selected on the basis of ability, knowledge and skills in fair and open competition that ensures equal opportunity. Promotion and advancement of qualified individuals within City West Water is based on these same principles, relevant to the position involved.

City West Water has in place a Disability Policy and a Disability Action Plan. City West Water aims to meet its obligations under the *Disability Act 2006*, the *Disability Discrimination Act 1992*, the *Equal Opportunity Act 1995*, and the *Charter of Human Rights and Responsibilities Act 2006* by taking actions identified in its Disability Action Plan to eliminate barriers for people with a disability from accessing goods, services and facilities, and for obtaining and maintaining employment with City West Water.

Employees receive fair and equitable treatment without regard to race, colour, sexual preference, age, physical or mental disability, pregnancy, religion, political opinion, national extraction or social origin.

City West Water has policies for the prevention of harassment and bullying and for equal employment. These policies support the right of all people to work in an environment free from harassment, bullying and discrimination. Behaviour to the contrary will result in disciplinary action up to and including dismissal.

City West Water provides equal employment opportunity and bullying prevention training for all employees. Employee Support Officers are available to provide information to employees about their rights and obligations relating to the prevention of harassment, bullying and discrimination.

Comparative workforce data

	2015-16	2014-15
Full time	376	364
Part time	90	72
Casual/fixed term	14	14
Total employees	480	450
Key management personnel	9	8
Executives	11	12
Administration staff	460	430
Total employees	480	450
Full time equivalent	435.5	416.3
Average age of employees	41.9	41.7
Female staff	215	189
Male staff	265	261
Per cent female	44.8%	42.0%
Per cent male	55.2%	58.0%

Report of Operations (continued)

Financial information

Financial highlights

Profit before tax for the year was \$65.7m compared to budget from City West Water's Corporate Plan of \$42.0m and was 39 per cent above the previous year. The favourable result was achieved through a combination of higher than budgeted developer revenues, gross margin associated with higher water sales and sewage disposal charges, lower than budgeted finance charges and strong management of capital costs. The result was partly offset by lower than budgeted service charges due to a decision to not introduce occupancy based service charges and higher than expected operating costs.

During 2015-16 City West Water made total dividend payments of \$9.8m and a capital repatriation of \$6.6m. The corporation paid income tax equivalent to the Victorian Government of \$16.3m.

Total borrowings increased by \$34.0m for the year. The increase in borrowings was primarily for the purpose of funding the required capital expenditure to support growth in the corporation's service area as well as continued investment in network and ICT infrastructure assets. Capital expenditure for the year was \$88.3m.

The capital program included two significant projects for City West Water, the West Werribee Dual Water Supply scheme and the Arrow Program.

The West Werribee Dual Water Supply scheme will supply drinking and recycled water for 35,000 customers in existing and new residential estates in West Werribee.

The Arrow Program involves the staged replacement of existing business systems and processes with an integrated suite of systems, which is designed to enable faster, evidence-based decision making leading to significant improvements in productivity and customer service.

The Arrow Program faced some challenges during the year and, as a result, the Board resolved to write-down \$11.575m of expenditure associated with elements of the program. This resulted in a reduction in profit of approximately 15 per cent.

Return on equity was 5.9 per cent (2014-15 5.0 per cent) while cash interest cover was 2.3 times (2014-15 2.2 times).

Gearing, as measured by total debt/total assets increased to 50.4 per cent (2014-15 48.9 per cent).

Summary of financial results

	2015-16 (\$'000)	2014-15 (\$'000)	2013-14 (\$'000)	2012-13 (\$'000)	2011-12 (\$'000)
Sales revenue	581,755	533,128	561,707	422,912	429,867
Developer contributions	26,933	20,517	15,773	15,934	16,753
Developer contributed assets	34,603	19,120	13,391	17,454	23,184
Other revenue	26,802	26,269	19,466	17,349	19,555
Total revenue	670,093	599,034	610,337	473,649	489,359
Bulk charges	355,062	323,595	353,408	227,223	225,509
Finance costs	63,344	62,892	60,266	52,422	45,879
Depreciation and amortisation	47,336	41,982	39,852	37,398	35,293
Employee benefits	39,603	37,076	37,439	34,319	30,201
Operating contracts	31,870	32,211	31,472	34,661	31,924
Other expenses	67,141	53,988	51,755	42,763	48,852
Total expenses	604,356	551,744	574,192	428,786	417,658
Profit before tax	65,737	47,290	36,145	44,863	71,701

Summary of financial position

	2015-16 (\$'000)	2014-15 (\$'000)	2013-14 (\$'000)	2012-13 (\$'000)	2011-12 (\$'000)
Current assets	113,479	108,082	93,638	116,073	77,715
Non-current assets	2,050,298	2,051,552	1,988,309	1,837,812	1,938,297
Total assets	2,163,777	2,159,634	2,081,947	1,953,885	2,016,012
Current liabilities	105,702	152,296	186,511	173,439	186,168
Non-current liabilities	1,315,358	1,267,436	1,164,073	1,110,234	992,605
Total liabilities	1,421,060	1,419,732	1,350,584	1,283,673	1,178,773
Net assets	742,717	739,902	731,363	670,212	837,239
Net cash flows from operating activities	64,416	63,505	19,224	47,586	46,741
Payments for property, plant, equipment and intangibles	82,859	81,713	150,873	163,987	126,900

Summary of capital expenditure

	2015-16 (\$'000)	2014-15 (\$'000)	2013-14 (\$'000)	2012-13 (\$'000)	2011-12 (\$'000)
City West Water funded capital expenditure	88,271	77,209	120,590	182,217	144,884

City West Water manages a number of capital projects. For information on recent capital projects undertaken by City West Water and the broader Victorian public sector, refer to the most recent Budget Paper 4 *State Capital Program* (BP 4) available via the Department of Treasury and Finance's website. This publication also contains information on the asset investment program of the Department of Treasury and Finance and its related portfolio agencies.

Summary of financial performance

	2015-16	2014-15	2013-14	2012-13	2011-12
Cash interest cover (times)	2.3	2.2	1.7	2.3	2.9
Gearing ratio (%) (total debt (including finance leases) / total assets)	50.4	48.9	49.2	47.5	37.2
Internal financing ratio (%)	57.9	58.6	9.6	13.9	1.0
Current ratio (times)	1.2	0.8	0.5	0.7	0.4
Return on assets (%)	6.0	5.2	4.8	4.9	6.0
Return on equity (%) (net profit after tax / average total equity)	5.9	5.0	3.6	4.5	6.1
EBITDA margin % (EBITDA/total revenue)	26.4	25.6	22.3	28.5	31.5

Further information on current year financial performance can be found in the Performance Report section of this report.

Information and communication technology expenditure

For the 2015-16 reporting period, City West Water had a total ICT expenditure of \$27.632m, as per details shown below.

BUSINESS AS USUAL (BAU) EXPENDITURE (\$'000)	NON BAU EXPENDITURE (OPERATIONAL AND CAPITAL) (\$'000)	OPERATIONAL EXPENDITURE (\$'000)	CAPITAL EXPENDITURE (\$'000)
14,294	13,331	0	13,331

ICT expenditure refers to the corporation's costs in providing business enabling ICT services. It comprises Business as Usual (BAU) ICT expenditure and Non Business as Usual (Non BAU) ICT expenditure. Non BAU ICT expenditure relates to extending or enhancing City West Water's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which relates primarily to ongoing activities to operate and maintain current ICT capability.

Report of Operations (continued)

Matters subsequent to the end of the financial year

Aside from adjustments to the Arrow Program, no further matter or circumstance has arisen since 30 June 2016 which has significantly affected, or may significantly affect:

- the corporation's operations
- the results of those operations
- the corporation's state of affairs in the financial year subsequent to 30 June 2016.

Consultancies

During 2015-16 City West Water engaged six consultants on various engagements where the total fees payable to each consultant was less than \$10,000 (GST exclusive). Total expenditure incurred during 2015-16 in relation to these consultancies was \$44,252 (GST exclusive).

During 2015-16 City West Water engaged 11 consultants on various consultancies where the total fees payable to each consultant was \$10,000 or greater (GST exclusive). Total expenditure during 2015-16 in relation to these consultancies was \$964,119 (GST exclusive). Details of individual consultancies can be viewed at citywestwater.com.au.

These consultancies include arrangements where an individual or organisation is engaged to provide expert analysis to facilitate decision making and perform a specific one-off task that involves skills or perspective which would not be expected to reside within the corporation.

City West Water engages a number of individuals and organisations to provide works or services on behalf of the corporation. These contract services are not considered to be consultants and are not included in the above numbers.

Other information

Freedom of Information

City West Water is subject to the *Freedom of Information Act 1982* (the Act). The Act allows the public a right of access to documents held by City West Water.

During 2015-16, City West Water received 28 requests for access to documents under the Act.

REQUEST	NO.
Access in full	17
Access in part	6
Access denied	0
Other - withdrawn	1
Not finalised	4
Total	28

Access to documents may be obtained through written request to the Freedom of Information Manager, as detailed in section 17 of the Act. The requirements for making a request are:

- it should be in writing
- it should identify as clearly as possible which document is being requested
- it should be accompanied by the application fee (the fee may be waived in certain circumstances).

Requests for documents in the possession of City West Water should be addressed to:

Freedom of Information Officer
City West Water
Locked Bag 350
Sunshine VIC 3020

Requests can also be lodged online at foi.vic.gov.au.

Each application for information attracted a fee of \$27.20 (\$27.90 from 1 July 2016).

Access charges such as photocopying, search and retrieval charges may also apply once documents have been processed and a decision on access has been made.

General enquiries relating to Freedom of Information may be made by contacting the Freedom of Information Officer on (03) 9313 8320. City West Water staff authorised to make decisions on requests for access to documents are:

Sean Crees (Principal Officer)
General Manager, Corporate Services

Andrew Jessop (Authorised Officer)
Manager, Corporate Administration

Further information regarding Freedom of Information can be found at foi.vic.gov.au.

Building Act 1993

The purpose of the *Building Act 1993* is to regulate building work and standards. City West Water maintains its buildings in accordance with the building and maintenance provisions of the Act.

Protected Disclosure Act 2012

Compliance with the Protected Disclosure Act 2012

The *Protected Disclosure Act 2012* (the Act) encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

City West Water does not tolerate improper conduct by employees or the taking of reprisals against those who come forward to disclose such conduct. City West Water is committed to ensuring transparency and accountability in its administrative and management practices, and the corporation supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources or conduct involving a substantial risk to public health and safety or the environment.

City West Water will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. City West Water will also afford natural justice to the person who is the subject of the disclosure to the extent that it is legally possible.

Reporting procedures

City West Water is not able to receive protected disclosures.

Disclosure of improper conduct or detrimental action by City West Water or any of its employees and/or officers may be made directly to the Independent Broad-based Anti-corruption Commission.

Independent Broad-based Anti-corruption Commission (IBAC)
Victoria
Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000

Phone: 1300 735 135

Internet: ibac.vic.gov.au

Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

Report of Operations (continued)

National Competition Policy

Under National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs
- the objectives of the legislation can only be achieved by restricting competition.

Competitive neutrality requires government businesses to ensure that where services compete or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if they are not in the public interest. Government businesses are required to cost and price these services as if they were privately owned and, thus, be fully cost reflective. Competitive neutrality policy provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency of the provision of services.

City West Water has an independent Board of Directors with independent and objective performance monitoring. The corporation pays income tax equivalent and dividends to the Victorian Government, and pays a Financial Accommodation Levy to the Victorian Government for its borrowings through Treasury Corporation of Victoria. City West Water operates in an environment where the Essential Services Commission (ESC) determines cost based pricing. City West Water submitted a Water Plan to the ESC to enable it to make a price determination for the period 2013-14

to 2017-18. The ESC made a final determination on prices in June 2013. These prices took effect from 1 July 2013.

With regards to the above, City West Water's processes continue to be consistent with the objectives of National Competition Policy agreements and the requirements of the *Competitive Neutrality Policy Victoria* policy statement. These principles apply generally to Government Business Enterprises throughout Australia.

Environmental performance

City West Water's vision is to be a truly sustainable water business. Sustainability involves balancing social, environmental and economic objectives. City West Water has in place an Environmental Policy which outlines how the corporation seeks to meet the following environmental objectives:

- optimise the sustainable use of alternative water through integrated water cycle management
- balance the needs of customers and the environment in managing the supply of and demand for water
- protect the environment and minimise any adverse impact on the environment of City West Water's business on the environment
- move towards zero waste
- enable customers to become efficient water users and clean and efficient producers
- be a community leader and advocate in water cycle management
- partner for sustainable outcomes and a healthier urban habitat.

ENVIRONMENTAL TARGETS				
ESC regulated standards	2015-16 Actual	2015-16 Target	Variance (%)	2014-15 Actual
Sewer blockages per 100km of sewer main (No.)	21.8	25.4	14.2	17.1
Interruptions to sewerage services restored within five hours (%)	98.0	97.2	0.8	99.1
Unaccounted for water (%)	9.4	9.5	1.1	9.4
Average time to attend sewer spills and blockages (minutes)	30.9	45.0	31.3	25.5
Sewer spills per 1,000 properties (No.)	0.7	1.3	43.1	0.5
Other targets				
Response to sewer spills within 1 hour (%)	99.0	100.0	(1.0)	99.5
Spills due to pump station equipment failure (No.)	0	0	0.0	0
Non-food waste customers non-compliant with trade waste agreements (%)	1.0	≤ 2.0	0.4	1.1
Compliance with EPA licence for discharge quality limits from Altona Treatment Plant (%)	100.0	100.0	0	100.0
ISO 14001: 2004 (Environmental Management)	Retained	Retain	-	Retained
HACCP (Water Quality)	Retained	Retain	-	Retained

Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires departments and public sector bodies to report on the implementation of the Victorian Industry Participation Policy (VIPPP). Departments and public sector bodies are required to apply VIPPP in all procurement activities valued at \$3m or more in metropolitan Melbourne and state wide projects, and \$1m or more for procurement activities in regional Victoria.

Contracts commenced to which the VIPPP applied

During 2015-16 City West Water did not commence any contracts for which a VIPPP plan was required.

Contracts completed to which the VIPPP applied

During 2015-16 City West Water completed two VIPPP applicable projects valued at \$10.565m. The outcomes reported from the implementation of the VIPPP, where information was provided, were as follows:

- an average of 92 per cent of local content outcome was recorded
- a total of nine annualised employee equivalent (AEE) positions were created
- two new apprenticeships/traineeships were created and three existing apprenticeships/traineeships were retained.

The benefits to the Victorian economy in terms of retention of skills from the completed projects include general internal training in quality, environment and safety management, all of which add to the overall skill base in Victoria.

Government advertising expenditure

City West Water did not incur any expenditure on government advertising campaigns above the threshold disclosure amount of \$100,000 during either the current or previous reporting periods.

Privacy of information

City West Water complies with the information privacy principles set out under the *Victorian Information Privacy Act 2000*. City West Water's Privacy Policy and Customer Charter refer to the corporation's commitment to protect the privacy of customers. City West Water ensures that the information it holds is protected and actively prevents unauthorised access to or improper use of customer information.

A copy of City West Water's Privacy Policy can be viewed at citywestwater.com.au.

Financial Management Act 1994

Other information as required under the *Financial Management Act 1994*, but not specifically referred to, has been retained by the Accountable Officer and is available on request by the Minister, Members of Parliament, and the general public.

Other information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by City West Water and are available on request, subject to the provisions of the *Freedom of Information Act 1982*:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the corporation about itself and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by City West Water
- details of any major external reviews carried out on City West Water
- details of major research and development activities undertaken by City West Water
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by City West Water to develop community awareness of the corporation and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the corporation and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by City West Water, the purpose of each committee, and the extent to which that purpose has been achieved
- details of all consultancies and contractors including:
 - consultants and contractors engaged
 - services provided
 - expenditure committed to for each engagement.

Requests for documents in the possession of City West Water should be addressed to :

Freedom of Information Officer
 City West Water
 Locked Bag 350
 Sunshine VIC 3020

Report of Operations (continued)

Water consumption and drought response reporting

Water consumption

Water consumption in City West Water's service area is detailed in the following table:

			Total
Residential customers	Potable water	Number (No)	389,655
		Volume (ML)	58,362
	Recycled wastewater	Number (No)	-
		Volume (ML)	-
	Recycled stormwater	Number (No)	-
		Volume (ML)	-
Non-residential customers	Potable water	Number (No)	39,578
		Volume (ML)	42,720
	Recycled wastewater	Number (No)	35
		Volume (ML)	2,560
	Recycled stormwater	Number (No)	4
		Volume (ML)	82
Total customers		Number (No)	429,272
Total potable water volume		Volume (ML)	101,082
Total recycled water volume		Volume (ML)	2,642
Total consumption		Volume (ML)	103,724
Average annual consumption ¹		Volume (ML)	94,611
Weekly residential potable water consumption		Volume (ML)	1,122
Non-revenue water	Leakage ²	Volume (ML)	7,848
	Authorised unbilled usage ³	Volume (ML)	558
	Other ⁴	Volume (ML)	2,133
Total non-revenue water		Volume (ML)	10,539
Total water all sources		Volume (ML)	114,263
Per capita daily residential drinking water consumption		litres/person/day	161

¹ Average annual consumption calculated between 2011-12 and 2015-16.

² Balance of non-revenue water, known as real losses, which includes bursts, leaks and background losses.

³ Authorised unbilled usage includes fire fighting, fire service charges, water haulers' usage, water main flushing, and sewer cleaning.

⁴ Other non-revenue water is known as apparent losses unauthorised usage and includes theft, misuse, illegal tampering, and meter under registration.

Drought response reporting

Metropolitan water retailers are required to prepare a Drought Response Plan with four levels of water restrictions that control the use of drinking water outdoors. Permanent water use rules are in place for metropolitan Melbourne as at 30 June 2016.

In accordance with the corporation's Drought Response Plan, City West Water is required each year to collaborate with South East Water, Yarra Valley Water and Melbourne Water to publish an annual Water Outlook.

The Water Outlook is a report that is prepared and published by 1 December each year. It is an adaptive management tool which is used by the metropolitan water utilities to:

- monitor the dynamic balance of supply and demand each year
- guide the implementation of actions identified previously by long term strategic planning exercises to influence the observed and potential future balance of supply and demand
- regularly provide information regarding the balance of supply and demand, and any actions being undertaken by the water utilities.

On 1 December 2015, the Water Outlook outlined a number of individual and joint industry short and medium term actions to improve future drought response. Below is a summary of the agreed actions.

- assist the Department of Environment, Land, Water and Planning to develop the Victorian State Water Plan that covers:
 - preparing for drought and climate change
 - preparing for extreme events and emergencies
 - direction for urban water management
 - realising the potential of a water grid for Victoria
 - productivity and affordability.
- develop an urban water strategy for City West Water that documents customer levels of service, measures to integrate urban water cycle management into planning, options to facilitate efficient investment in projects, measures to adapt to climate change, and measures to maintain a balance between supply and demand
- assist Melbourne Water to develop a water system strategy that establishes a view of available water in the Melbourne

system across a 50 year planning horizon

- continue to reinforce permanent water use rules among the community
- administer the State Government rebate scheme to selected, financially vulnerable residential customers
- annually review the level of water security and advise on the need for desalinated water
- conduct a residential customer end use study and appliance stock survey to aid future demand forecasting and target future efficiency programs
- provide 'fit for purpose' alternative water supply to service new urban development and public open spaces
- partner with local government and other stakeholders to deliver stormwater harvesting projects for irrigation
- undertake active leak detection, reticulation mains renewals, pressure management, intelligent network technologies and rapid response to bursts and leaks
- continue to deliver residential and non-residential water efficiency programs
- continue to deliver improved health outcomes for the community through the *Greening the West* initiative.

Further information can be found by visiting citywestwater.com.au.

Corporate water consumption ¹

2015-16	2014-15
Water consumed 1,540kL	Water consumed 1,199kL
3.29kL per full time equivalent employee	2.61 kL per full time equivalent employee
249.74 litres per m ² of office space	194.44 litres per m ² of office space

¹ Due to City West Water moving head office on 28 July 2014, it is not possible to compare water consumption between years. Water consumption for 2014-15 is reported for the period 28 July 2014 to 30 June 2015 only. The measure includes all water used at City West Water's head office. It does not include water used at depots or by third party contractors.

Report of Operations (continued)

Environmental sustainability

Responsibly managing the environmental aspects of operations is an integral part of achieving City West Water's vision and mission. City West Water has environmental and sustainability policies to guide decision making in these areas. Both policies are publicly available on City West Water's website and are reviewed annually by the Board.

City West Water is a member of the metropolitan Water Security Group (WSG). The purpose of the WSG is to provide timely advice and recommendations on matters relating to short and long term water security for Melbourne.

The WSG is in place to:

- prepare, monitor, and oversee the delivery and review of long term strategic responses as outlined in water supply demand strategies or their successors
- co-ordinate implementation of timely and efficient actions to achieve water security objectives in a manner that sustains the health, liveability and prosperity of Melbournians, and
- ensure preparedness to proactively manage periods of water shortage.

Environmental Policy

City West Water's Environmental Policy provides guidance on meeting the corporation's environmental obligations and strategic objectives to achieve significantly more with significantly less. The policy outlines the following environmental management measures:

- maintaining an ISO 14001 certified environment management system to manage environmental aspects and impacts
- aligning environmental strategic objectives with targets and actions through City West Water's Environmental Sustainability Plan (ESP)
- reviewing at regular intervals targets and actions set out in the ESP
- reporting to the Board the corporation's progress against targets and actions set out in the ESP
- publicly reporting on environmental performance.

Sustainable water use

Integrated Water Cycle Management Strategy

Integrated Water Cycle Management involves the consideration of the entire water cycle and the multiple services it provides when planning, delivering and operating infrastructure. One way in which City West Water will undertake this is by optimising the corporation's water supply system through utilisation of potable water resources and other alternative water resources for 'fit for purpose' end uses.

Western Growth Corridor Servicing Strategy

City West Water's service area covers a large portion of Melbourne's western growth corridor extending from the City of Wyndham in the south to the City of Melton in the north. This region is expected to experience population growth of between 370,000 and 430,000 in the next 35 years. Much of this population will be customers of City West Water.

City West Water's Western Growth Corridor Servicing Strategy outlines the corporation's approach for the supply of water, alternative water, and management of sewerage for the Western Growth Corridor including areas to the east of the proposed Outer Metropolitan Ring Road. The approach has been developed in line with City West Water's strategic goals and its Integrated Water Cycle Management Strategy to deliver optimised and cost effective water cycle services to the corporation's customers.

The servicing strategy aims to improve the resilience, adaptiveness and cost effectiveness of the water cycle management system above that of the traditional servicing of potable water supply and centralised sewage treatment and disposal. Integration aims to achieve sustainable water management, to meet government policy objectives, and to deliver overall improved outcomes to the corporation's customers.

Alternative water schemes

Alternative water supply projects progressed during 2015-16 to advance integrated water cycle management and engage the community include the following:

West Werribee Dual Supply Scheme

The West Werribee Dual Supply Scheme will supply Class A recycled water from the Werribee Recycled Water Plant through dual reticulation to homes in estates in the Werribee and Wyndham Vale areas. The recycled water will come from Melbourne Water's Western Treatment Plant, where it will be further processed and sent to homes and open spaces in the Werribee area through a dedicated 'purple pipe' recycled water system.

Aquifer Storage and Recovery

The West Werribee Dual Supply (Aquifer Storage and Recovery) Project (ASR) is a standalone component of the West Werribee Dual Water Supply Scheme. The scheme will supply recycled water for new residential developments and irrigation of public open spaces. The ASR project involves the development of underground bulk storage in the Werribee Formation Aquifer at the Werribee Treatment Plant and at Ballan Road, North Wyndham Vale to store the recycled water. Project benefits will include providing additional storage for up to 2,600 million litres of recycled water per year to supply West Werribee Dual Water Supply Scheme customers.

The West Werribee ASR project was completed in 2016. Operational trials on the aquifer are expected to

begin shortly after Class A recycled water supply from the Werribee Recycled Water Plant commences.

The Ballan Road ASR project is currently undergoing feasibility testing, with injection trials to be completed in 2017. If the project proves to be viable, then the full scheme will be designed and a business case will be prepared for approval to proceed to construction. Construction is expected to be completed by 2020-21. The Ballan Road ASR project will receive excess water produced in low demand periods initially from the Western Treatment Plant, followed by the Ravenhall Alternative Water Production Facility as demand increases.

Black Forest Road Stormwater Harvesting Scheme

The Black Forest Road Stormwater Harvesting Project is a regional scale stormwater harvesting scheme being explored to optimise City West Water's Western Growth Corridor Servicing Strategy. Stormwater will be harvested from the Lollypop Creek catchment, which is subject to significant urban development, and supplied through the Western Growth Corridor recycled water network. At full development, up to 2,800 million litres of stormwater per annum could be harvested, which could potentially defer future augmentation of the Western Treatment Plant's Class A recycled water supply. The scheme also includes local aquifer storage and recovery.

City West Water is working with a number of key stakeholders including Melbourne Water, Wyndham City Council and Lend Lease to confirm the viability of the scheme.

Point Cook Sustainable Alternative Water Scheme (Carranballac College)

The Point Cook Sustainable Alternative Water Scheme involves supplying 13 million litres of recycled water per year sourced from the Western Treatment Plant for the irrigation of Carranballac College school oval and Wyndham City Council's Dunnings Road Oval. The college, in partnership with City West Water, received \$399,000 of funding from the Department of Environment, Land, Water and Planning (DELWP) for the construction of a recycled water pipeline to connect into an existing recycled water supply at Point Cook. The project was completed in February 2016.

Stormwater harvesting projects

City West Water has been partnering with councils within the corporation's service area to deliver stormwater harvesting projects to irrigate public open space. In the City of Moonee Valley, the Afton Street stormwater harvesting project was completed in November 2015. This project involves diversion of about 20 million litres of stormwater per year from a drain into a constructed wetland system where, after treatment through the wetlands, the water will be used to irrigate sports grounds.

The City of Melton, in partnership with City West Water, obtained \$705,000 in funding from DELWP for the construction of a stormwater harvesting scheme in Caroline Springs which was completed in March 2016.

The costs of servicing City West Water's growth areas with the above alternative water schemes are funded by the beneficiaries of these schemes or by government contributions.

Drinking water quality

City West Water produces an annual *Drinking Water Quality Report* available at citywestwater.com.au. The report provides comprehensive details of water quality testing and results. Results show that the corporation's water quality consistently meets the required standards and health related *Australian Drinking Water Quality Guidelines*.

Sustainable and resilient water services systems

Community involvement and water awareness campaigns

City West Water is actively involved in the local community and seeks to educate customers on the water cycle and the corporation's role in delivering water services in a way that reflects the diverse needs of City West Water's service area. In 2015-16, the following community involvement and water awareness campaigns were launched or continued:

- offering a range of resources tailored to primary and secondary schools and an education program tailored to English as a Second Language schools in the community
- in conjunction with Melbourne's other water retailers, City West Water continued to participate in the *Water Learn it! Live it!* program by providing a suite of curriculum resources to teachers of prep to year 10
- providing teacher resources including a lending library and complementary incursion program and a water testing kit for school use
- maintaining a regular presence at community festivals and events including providing mobile water fountains
- delivering tailored presentations to community groups in order to provide relevant information on a variety of topics including household water saving programs, sources of water, transactions and interactions with water retailers, and water wise gardening
- partnering with a number of organisations that directly support and work within the communities in the corporation's service area.

Customer Committee

The Customer Committee comprised members from across City West Water's service area including community groups, residential and key customers. The committee met four times a year and was invited to participate in focus groups and stakeholder engagement from time to time. The committee provided valuable feedback on programs aimed at improving services to City West Water's customers.

Report of Operations (continued)

Community Liaison Committee

For the past decade the Community Liaison Committee has assisted City West Water to understand local community environmental expectations as well as contributing to the development and performance of the corporation's Environmental Sustainability Plan.

Following a review of the Community Liaison Committee and the Customer Committee, City West Water made the decision to move towards a broader, more inclusive form of community engagement.

The final Community Liaison Committee and Customer Committee meetings were held in March 2016. City West Water is now implementing a more comprehensive approach to community engagement, using a larger number of channels than the previous customer committees. These channels will be used both individually and together, depending on the matter at hand. These include:

- an engagement portal which will be an online meeting place to facilitate open and transparent two-way dialogue between City West Water and its customers
- creation of special purpose customer committees, to advise City West Water on core pieces of work that will allow the community to have a say on significant issues facing our business
- expanding City West Water's community events approach to ensure we obtain information from customers on our performance
- surveying City West Water's customers pre and post engineering works to understand how we can improve our activities
- expanding City West Water's social media presence so that we gain real-time insights from community members and groups.

Greening the West

Greening the West is a regional initiative that aims to deliver positive health and social outcomes and enhanced liveability for communities in the western suburbs of Melbourne.

Facilitated by City West Water, Greening the West is driven by a steering committee of partners including local councils, Parks Victoria, the Department of Environment, Land, Water and Planning, the Department of Health and Human Services, VicRoads, LeadWest, and community and industry representatives. The initiative's vision is to enable sustainable, liveable, healthy communities through urban greening.

In order to achieve this, the steering committee has adopted a regional approach that fosters projects and activities that will increase vegetation and encourage greater public interaction with green space.

Work undertaken with householders and businesses

Sustainable use of water resources is encouraged by a number of water efficiency programs that City West Water offers its customers, including:

- the Showerhead Exchange Program
- the Toilet Retrofit Program
- gardening workshops
- business customer programs.

Uniform Drought Response Plan and By-Law

The Uniform Drought Response Plan in its current form has been in place since June 2012, with the Permanent Water Use Plan established in November 2011.

Under Permanent Water Use Rules, playing fields and other open spaces are able to be watered all year round. The water restrictions schedule (which is contained in the City West Water Corporation Water Restrictions By-law 001/2012 as enacted by the Drought Response Plan) allows for an Approved Water Use Plan at all four stages of restrictions. This is designed to allow watering to take place during water restrictions to maintain open spaces and playing fields so as to be available throughout the year.

Other environmental aspects and impacts

City West Water's Environmental Management System (EMS) provides the framework for managing the corporation's environmental aspects and impacts. The EMS follows the 'plan, check, do, and act' cycle outlined in the ISO 14001 Environmental Management System standard. Re-certification was obtained for the system in 2015-16.

The EMS has an Aspects and Impacts Register which ensures the corporation has in place appropriate controls to manage environmental risks and meet statutory obligations. The EMS also provides a framework for City West Water to contribute to broader environmental outcomes through the delivery of the Environmental Sustainability Plan (ESP). Statutory requirements and City West Water's participation in state wide environmental protection initiatives are outlined below.

Victorian Biodiversity Strategy

In 2016 the State Government will release its updated strategy *Protecting Victoria's Environment - Biodiversity 2036*. This will be supported by reviewing the *Flora and Fauna Guarantee Act 1988* and native vegetation clearing regulations. City West Water remains committed to meeting its statutory biodiversity requirements and working with stakeholders to value and improve biodiversity.

Biodiversity management is one of eight focus areas of City West Water's ESP. To ensure the corporation delivers positive outcomes for this key focus area, City West Water is developing a biodiversity strategy that will align with both state and federal biodiversity strategies. Implementing the strategy will

improve the effectiveness with which the corporation manages its statutory obligations and deliver improved environmental outcomes for Melbourne's west.

City West Water has created a native vegetation offset site on its land in Ballan Road, Wyndham Vale. The site is actively managed to offset native vegetation removed to construct water supply assets. City West Water will actively restore and improve the site over a 10 year period, prior to maintaining it in perpetuity. Projects undertaken regularly at the site to improve habitat value include:

- management of weeds and pests
- maintenance of fencing and security
- assessment of the habitat
- conducting ecological burning.

Waterway management

The Victorian Waterway Management Strategy emphasises the proactive minimisation of impacts on waterways by water corporations and catchment management authorities. City West Water continues to work with Melbourne Water Corporation and local councils to maximise the use of water sources such as stormwater and recycled water while balancing use from traditional catchments and dams by implementing integrated water cycle management projects as detailed in the alternative water schemes section of this report.

State environment protection policy requirements

The *State Environment Protection Policy (Waters of Victoria)* governs how City West Water and other agencies must work together to protect and restore Victoria's surface water environments.

City West Water operates a sewage treatment plant at Altona which has an effluent discharge licence from the Environment Protection Authority (EPA). The corporation has complied with its water discharge licence conditions, minimising impacts to the protected beneficial uses of Port Phillip Bay. A summary of Altona Treatment Plant performance is reported to EPA Victoria on an annual basis. Additionally, water quality and flow data is reported to the Essential Services Commission and National Pollutant Inventory.

City West Water meets the requirements of the policy through a range of activities, including:

- asset renewal and preventative maintenance to minimise spills and seepage of wastewater through sewer overflows, leakages and collapses
- compliance with the EPA's guidelines on environmental management for managing wastewater reuse and recycling
- ensuring that beneficial uses are met outside the licensed mixing zone, as verified by monitoring in accordance with an EPA approved monitoring program

- entering into trade waste agreements to divert contaminated stormwater to sewer.

City West Water runs a sewer hydraulic compliance program to progressively bring the sewerage system into compliance with the 1-in-5 containment standard in the policy. Non-compliant catchments are identified through standardised hydraulic modelling exercises in line with the rest of the industry. From there, options are developed to address any identified deficiencies and put forward for approval. Currently, Taylors Lakes, Stony Creek, Youell Street and Steele Creek catchments are known non-compliant catchments, while others are awaiting assessment. Engineering solutions are limited for Taylors Lakes, so City West Water will apply the Water Quality Offsets Framework in accordance with the offsets clause of the policy.

Environmental flow contributions

City West Water is required to contribute to environmental flows through bulk water entitlements. For detailed information on how these obligations are met, refer to Appendix 3 of this report.

Stormwater management

City West Water has worked with Melbourne Water Corporation, councils, the Metropolitan Planning Authority, businesses and developers to deliver integrated water cycle management solutions including water sensitive urban design and localised stormwater harvesting. The treatment and use of stormwater has multiple benefits, one of which is to help meet objectives for removal of suspended solids, total phosphorus, nitrogen and litter, as well as retaining flows outlined in the *Best Practice Environmental Management Guidelines for Victorian Urban Stormwater*. City West Water has five operational stormwater harvesting and treatment schemes.

City West Water adheres to all planning permit conditions, including sediment controls, to minimise stormwater runoff and prevent erosion. Environmental management plans are in place for construction works, guided by water quality objectives in the *State Environment Protection Policy (Waters of Victoria)*, the corporation's obligations under the *Environment Protection Act 1970* and the Civil Contractors Federation Environmental Guidelines for Civil Construction. This ensures that construction practices such as site de-watering and groundwater management do not put at risk any beneficial use of receiving water.

Field auditors, project managers and environment staff audit City West Water construction projects to ensure that the corporation complies with legal requirements. Field auditors also assess construction works for shared and gifted assets constructed by developer contractors. They can issue service improvement requests where non-compliance with requirements is observed.

Report of Operations (continued)

Greenhouse gas emissions and net energy consumption

City West Water uses energy in the transportation and treatment of water and sewage, production of alternative water, and office administration.

Table 1: Corporate energy performance 2015-16¹

	ML	kWh	kWh/ML	MJ	tCO ₂ -e	tCO ₂ -e/ML
Water treatment and pumping ²	111,703	352,532	4	-	395	0.00353
Wastewater treatment ³	5,144	9,133,436	1,776	-	11,099	2.1577
Waste disposal	-	-	-	-	306	-
Energy use (non-fleet)	-	-	-	8,503,730	1,251	-
Vehicle fleet	-	-	-	14,762,493	1,024	-
Other activities	-	-	-	-	26	-
Offsets Purchased	-	-	-	-	-	-
Total	-	-	-	-	14,101	-

¹ 2015-16 emissions includes only Scope 1 and Scope 2 emissions, except for Scope 3 emissions from waste. This is designed to meet the requirements of Ministerial Directions to align reporting with ESC indicators which include only Scope 1 and Scope 2 emissions.

² Water treatment and pumping includes energy expended from stormwater harvesting schemes.

³ Wastewater treatment volumes are supplied only for sewage treated at City West Water sewage treatment plants. The majority of sewage is conveyed to Melbourne Water's Western Treatment Plant. Energy expended by City West Water in this conveyance is included in the energy use figure.

Table 2: Historical performance information

	2014-15	2013-14	2012-13	2011-12	2010-11
Emissions (tCO₂-e)					
Water treatment and pumping	313	290	312	286	272
Wastewater treatment	7,787	7,424	9,693	10,612	8,778
Waste disposal	703	618	617	41	38
Energy use (non-fleet)	1,846	1,747	2,115	2,051	1,830
Motor vehicles	1,131	1,124	1,374	1,300	1,459
Other	25	125	213	166	175
Total emissions	11,805	11,328	14,324	14,456	12,552
Offsets (tCO₂-e)					
Verified Carbon Offsets	-	(400)	-	(12,007)	(12,600)
Renewable energy certificates	-	-	(2,360)	(2,602)	-
Total offsets	-	(400)	(2,360)	(14,609)	(12,600)
Net greenhouse gas emissions	11,805	10,928	11,964	(153)	(48)
Water treatment and pumping kWh/ML	2.464	2.308	2.465	2.012	2.037
Wastewater treatment kWh/ML	1,109.371	1,062.498	1,371.460	1,318.283	943.195

Social sustainability

Community Service Obligations

City West Water provided the following community service obligations during the current and prior financial years.

	2015-16 (\$'000)	2014-15 (\$'000)
Rebates paid to not for profit organisations under the water and sewerage rebate scheme	529	537
Provision of concessions to customers	22,903	22,032
Water concessions to those on life support machines (haemodialysis)	16	20
Utility relief grant scheme	325	302

Rebates paid to not for profit organisations under the water and sewerage rebate scheme

The State Revenue Office (SRO) defines certain organisations as not for profit. Such organisations serve the community in the fields of education, health or nursing care, religious worship, charity, outdoor sporting or recreation activities or war veterans' organisations. These organisations are entitled to pay a concession amount on the service charge portion of their bills. City West Water invoices the SRO for the value of those concessions.

Provision of concessions to customers

Customers who hold a pension concession card, a Department of Veterans Affairs gold card, or a health care card are entitled to a 50 per cent concession on water and sewerage charges, up to an annual maximum. The 2015-16 maximum was \$299.00. If a customer is receiving one service only, they are entitled to a concession of up to half the annual maximum. City West Water invoices the Department of Health and Human Services for the value of those concessions.

Water concessions to those on life support machines (haemodialysis)

Residential customers requiring in home haemodialysis are entitled to a rebate on water usage and sewage disposal charges. The Department of Health and Human Services determines the rebate amount based on the average annual water usage of an in home haemodialysis machine of 168,000 litres a year. The rebate is in addition to any other pension or concession to which a customer may be entitled. Customers who hold a pension concession card, a Department of Veterans Affairs gold card or a health care card are entitled to the rebate. City West Water invoices the Department of Health and Human Services for the value of those concessions.

Utility Relief Grant Scheme

The Utility Relief Grant Scheme provides assistance to residential customers who are unable to pay their utility bills as a result of a temporary financial crisis. Assistance is provided to low income households which, as the result of a short term (within the last 12 months) financial crisis are unable to pay for a current account and are at risk of restriction of supply. A grant is available to a holder of a pension concession card, a health care card or a Department of Veterans Affairs gold card which is not marked 'dependant'. Applicants must meet certain criteria to demonstrate that unexpected financial hardship has left them unable to meet their water bill obligations. City West Water invoices the Department of Health and Human Services for the value of those concessions.

Performance Report

As part of their annual reporting obligations, metropolitan water corporations are required to include a consolidated performance report comprising both financial and non-financial performance indicators. The objective of the report is to provide a consistent view on the current and ongoing performance of the corporation.

FINANCIAL PERFORMANCE INDICATORS								
KPI Number	Key performance indicator	2014-15 Result	2015-16 Result	2015-16 Target	% Variance to prior year	Notes	% Variance to target	Notes
F1	Cash interest cover Net operating cash flows before net interest and tax / net interest payments	2.2	2.3	2.2	4.5%		4.5%	
F2	Gearing ratio Total debt (including finance leases) / total assets *100	48.9%	50.4%	50.4%	3.1%		0.0%	
F3	Internal financing ratio Net operating cash flow less dividends / net capital expenditure * 100	58.6%	57.9%	44.2%	-1.2%		31.0%	1
F4	Current ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.8	1.2	0.8	50.0%	2	50.0%	3
F5	Return on assets Earnings before net interest and tax / average assets * 100	5.2%	6.0%	4.9%	15.4%	4	22.4%	5
F6	Return on equity Net profit after tax / average total equity *100	5.0%	5.9%	3.6%	18.0%	6	63.9%	7
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue *100	25.6%	26.4%	24.7%	3.1%		6.9%	

The corporation has corrected an error that, as outlined in Note 1(a), has caused a restatement of fair value of infrastructure assets for 2014-15. As a result of this correction, adjustments have been made to deferred tax liabilities and physical asset revaluation surplus. This has resulted in the restatement of the 2014-15 gearing ratio, return on assets and return on equity.

1. The internal financing ratio was above the 2015-16 target, due mainly to higher than expected net cash provided by operating activities. The increase in net cash provided by operating activities was driven by higher than expected receipts from customers as a result of increased water sales and higher receipts from developers. This was partly offset by higher than expected bulk water payments to Melbourne Water in 2015-16.

2. The current ratio has increased compared to 2014-15 due to lower current borrowings. City West Water has classified all debt except 11am borrowings as non-current in 2015-16 as the corporation has the unconditional right to defer settlement of long term debt for at least 12 months from balance sheet date. Previously, City West Water has classified long term debt falling due within 12 months as current borrowings.

3. The current ratio for 2015-16 was above target mainly due to lower than expected current borrowings. The corporation has classified all debt except 11am borrowings as non-current in 2015-16.

4. Return on assets has increased in 2015-16 compared to 2014-15 primarily as a result of higher earnings before net interest and tax. This higher result was due mainly to higher revenue from water sales and higher receipts from developers.

5. Return on assets was higher than expected against target in 2015-16 due mainly to higher than expected earnings before net interest and tax. This was driven largely by higher than expected receipts from developers.

6. Return on equity was higher than 2014-15 as a result of increased net profit after tax. Net profit after tax was higher in 2015-16 mainly as a result of increased revenue from water sales and higher receipts from developers.

7. Return on equity exceeded target in 2015-16 due to higher than expected net profit after tax. The stronger net profit after tax result was due to higher than expected receipts from developers.

WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS								
KPI Number	Key performance indicator	2014-15 Result	2015-16 Result	2015-16 Target	% Variance to prior year	Notes	% Variance to target	Notes
WS1	Unplanned water supply interruptions Number of customers receiving five unplanned water supply interruptions in the year / total number of water (domestic and non-domestic) customers *100	0.0%	0.0	0.0%	0.0%		0.0%	
WS2	Interruption time Average duration of unplanned water supply interruptions (minutes)	111.7	119.7	130.3	7.2%	1	-8.1%	2
WS3	Restoration of unplanned water supply interruptions Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions *100	98.0%	95.8%	95.5%	-2.2%		0.3%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers *100	100.0%	100.0%	100.0%	0.0%		0.0%	
SS2	Sewer spills interruptions Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours	98.0%	98.1%	97.2%	0.1%		0.9%	

1. Compared to 2014-15 there was a 10 per cent increase in burst water mains and a 14 per cent increase in leaking water mains. Burst water mains were more prevalent in the inner, older areas of Melbourne during 2015-16. In such cases, local difficulties led to increased water off times, which contributed to an increase in this KPI.

2. The target for this KPI is based on a long term average. The 2015-16 actual was below the long term average.

Performance Report (continued)

CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS								
KPI Number	Key performance indicator	2014-15 Result	2015-16 Result	2015-16 Target	% Variance to prior year	Notes	% Variance to target	Notes
CR1	Water quality complaints Number of complaints per 100 customers	0.060	0.059	0.107	-1.7%		-44.9%	1
CR2	Sewerage service quality complaints Number of complaints per 100 customers	0.003	0.003	0.056	0.0%		-94.6%	2
CR3	Sewage odour complaints Number of complaints per 100 customers	0.023	0.022	0.056	-4.3%		-60.7%	3
CR4	Billing complaints Number of complaints per 100 customers	0.117	0.091	0.262	-22.2%	4	-65.3%	5

1. Favourable weather conditions resulted in fewer bursts and leaks, and therefore, fewer complaints compared to target. The target is based on long term average complaints. The low target makes it particularly sensitive to change, and a very small number of complaints can have a major bearing on the result.

2. Active condition monitoring and renewal programs had better than expected success in reducing the number of sewerage service quality complaints during the year when comparing against target.

3. Active condition monitoring and renewal programs had better than expected success in reducing the number of sewerage odour complaints during the year when comparing against target.

4. The corporation experienced a drop in billing complaints during the first quarter of the 2015-16 year. This is believed to be the result of the application of the \$100 rebate to customers on their first bill of the year. Billing complaint levels for the subsequent three quarters of the year were similar to the 2014-15 year.

5. A re-alignment of the corporation's operational approach aimed at improving customer experience through a more timely response to customer contacts is the main contributor to this indicator outperforming target.

ENVIRONMENTAL PERFORMANCE INDICATORS								
KPI Number	Key performance indicator	2014-15 Result	2015-16 Result	2015-16 Target	% Variance to prior year	Notes	% Variance to target	Notes
E1	Effluent reuse volume (end use) Effluent reuse volume (%)	2.4%	42.0%	38.0%	1,650.0%	1	10.5%	2
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	11,805.0	14,101.0	16,200.0	19.4%	3	-13.0%	4

1. Effluent reuse volume as a percentage increased when compared to 2014-15 as a result of the Altona Salt Reduction Plant commencing operation in July 2015.

2. Effluent reuse volume for 2015-16 was above target due to work done to optimise processes in order to yield more water from the Altona Salt Reduction Plant.

3. Net CO₂ equivalent emissions were higher in 2015-16 than in 2014-15 due to the operation of the Altona Salt Reduction Plant from July 2015.

4. Net CO₂ emissions were below target in 2015-16 due to lower than expected fugitive emissions from the Altona Treatment Plant.

Certification of Performance Report

We certify that the accompanying Performance Report of City West Water Corporation in respect of the 2015-16 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2015-16 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and between the actual results of the current year and the previous year.

As at the date of signing, we are not aware of any circumstances which would render any particulars of the Performance Report to be misleading or inaccurate.



David Middleton
Chairman



David Ryan
Managing Director



Sean Crees
General Manager, Corporate Services

Melbourne
9 September 2016



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INDEPENDENT AUDITOR'S REPORT

To the Board Members, City West Water Corporation

The Performance Report

I have audited the accompanying performance report for the year ended 30 June 2016 of City West Water Corporation which comprises the performance report, the related notes and the certification of performance report.

The Board Members' Responsibility for the Performance report

The board members of City West Water Corporation are responsible for the preparation and fair presentation of the performance report and for such internal control as the board members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the performance report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the performance report 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 overall presentation of the performance report.

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates have complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

Opinion

In my opinion, the performance report of City West Water Corporation in respect of the 30 June 2016 financial year presents fairly, in all material respects.

MELBOURNE
16 September 2016


for Dr Peter Frost
Acting Auditor-General

Major non-residential water users

Table 1: Customers by volume range

VOLUMETRIC RANGE – ML PER YEAR	NUMBER OF CUSTOMERS
Equal to or greater than 200ML and less than 300ML	5
Equal to or greater than 300ML and less than 400ML	8
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	3
Equal to or greater than 750ML and less than 1,000ML	0
Greater than 1,000ML	4
Total number of customers	20

Table 2: Names of major customers and their participation in Water Management Action Plans

NAME OF CUSTOMER	WATERMAP STATUS
Asahi Premium Beverages Pty Ltd	Yes, WaterMAP developed
Australian Vinyls Corporation Ltd	Yes, WaterMAP developed
Carlton & United Breweries, Abbotsford Brewery	Yes, WaterMAP developed
Choldame Nominees	Yes, WaterMAP developed
CSF Proteins	Yes, WaterMAP developed
Eatmore Poultry	Yes, WaterMAP developed
JBS Australia Pty Limited	Yes, WaterMAP developed
Melbourne Airport	Yes, WaterMAP developed
Mobil Refining Australia	Yes, WaterMAP developed
Nufarm Chemicals	Yes, WaterMAP developed
Onesteel	Yes, WaterMAP developed
Peerless Holdings Pty Ltd	Yes, WaterMAP developed
Qenos ¹	Yes, WaterMAP developed
Melbourne Health (Royal Melbourne Hospital)	Yes, WaterMAP developed
Schweppes Australia Pty Ltd	Yes, WaterMAP developed
Sugar Australia	Yes, WaterMAP developed
Victoria Wool Processors	Yes, WaterMAP developed
Toyota Motor Corporation Australia	Yes, WaterMAP developed
University of Melbourne	Yes, WaterMAP developed
Victoria Racing Club	Yes, WaterMAP developed

¹ Includes recycled water use.

Risk Management Attestation

I, David Middleton, certify that City West Water Corporation has complied with Ministerial Standing Direction 4.5.5 - Risk Management Framework and Processes. This has been verified by City West Water's Risk Management and Audit Committee.



David Middleton
Chairman

Melbourne
9 September 2016

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Note	30 June 2016 \$'000	30 June 2015 \$'000
Revenue	3	667,434	594,243
Other income	3	2,659	4,791
Total income		670,093	599,034
Expenses	4	(541,012)	(488,852)
Finance expenses	4	(63,344)	(62,892)
Total expenses		(604,356)	(551,744)
Profit before income tax expense		65,737	47,290
Income tax expense	5(a)	(21,948)	(10,852)
Profit after income tax expense		43,789	36,438
Other Comprehensive Income/(Expense)			
Items that will not be reclassified to profit or loss			
Change in physical asset revaluation surplus due to revaluation of assets ¹	13(g), 1(a)	(64,031)	27,318
Actuarial gain/(loss) on defined benefit superannuation plan	27(c)	(1,839)	(645)
Deferred income tax recognised in Other Comprehensive Income ¹	5(c), 1(a)	41,296	(38,973)
Other Comprehensive Income after tax		(24,574)	(12,300)
Total comprehensive income after tax		19,215	24,138

¹ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of the fair value of infrastructure assets for 2014-15. Subsequent adjustments have been made to change in physical asset revaluation surplus due to revaluation of assets and deferred income tax recognised in other comprehensive income as a result of this correction.

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2016

	Note	30 June 2016 \$'000	30 June 2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	54	526
Receivables	9	112,067	90,607
Prepayments	10	1,358	1,625
		113,479	92,758
Non-current assets classified as held for sale	11	-	15,324
Total current assets		113,479	108,082
Non-current assets			
Infrastructure, property, plant and equipment ¹	13, 1(a)	1,878,520	1,871,668
Intangible assets	14	171,755	177,575
Defined benefit superannuation asset	27(c)	-	2,286
Receivables	12	23	23
Total non-current assets		2,050,298	2,051,552
TOTAL ASSETS		2,163,777	2,159,634
LIABILITIES			
Current liabilities			
Payables	15	58,210	54,315
Borrowings	16	8,200	64,200
Current tax liability	17	8,579	3,454
Provision for employee benefits	27(a)	13,049	12,278
Other provisions	18	3,821	2,401
Unearned income	19	2,321	4,235
Other liabilities	20	11,522	11,413
Total current liabilities		105,702	152,296
Non-current liabilities			
Borrowings	21	1,082,500	992,500
Deferred tax liabilities ¹	6(b), 1(a)	230,454	272,900
Defined benefit superannuation liability	27(c)	358	-
Provision for employee benefits	27(a)	2,046	2,036
Total non-current liabilities		1,315,358	1,267,436
TOTAL LIABILITIES		1,421,060	1,419,732
NET ASSETS		742,717	739,902
EQUITY			
Contributed equity	22(a)	211,008	217,608
Physical asset revaluation surplus ¹	22(b), 1(a)	157,898	191,771
Retained profits	22(c)	373,811	330,523
TOTAL EQUITY		742,717	739,902

¹ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of the fair value of infrastructure assets for 2014-15. Subsequent adjustments have been made to deferred tax liabilities and physical asset revaluation surplus as a result of this correction.

The Balance Sheet should be read in conjunction with the accompanying notes.

Refer also to Note 25 - Contingent assets and liabilities, and Note 26 - Commitments for expenditure.

Statement of Changes in Equity

For the year ended 30 June 2016

	Note	Contributed equity	Physical asset revaluation surplus ¹	Retained profits	Total equity ¹
		\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2014		217,608	203,619	310,137	731,364
Comprehensive income for the year					
Profit after income tax expense	22(c)	-	-	36,438	36,438
Other comprehensive income after tax	22(b), 22(c)	-	(11,848)	(452)	(12,300)
Total comprehensive income after tax		-	(11,848)	35,986	24,138
Transactions with the State in its capacity as owner					
Dividends paid	7	-	-	(15,600)	(15,600)
Total transactions with the State in its capacity as owner		-	-	(15,600)	(15,600)
Closing balance at 30 June 2015	22	217,608	191,771	330,523	739,902
Opening balance at 1 July 2015		217,608	191,771	330,523	739,902
Comprehensive income for the year					
Profit after income tax expense	22(c)	-	-	43,789	43,789
Other comprehensive income after tax	22(b), 22(c)	-	(23,287)	(1,287)	(24,574)
Transfer to retained profits on derecognition of assets	22(b), 22(c)	-	(10,586)	10,586	-
Total comprehensive income after tax		-	(33,873)	53,088	19,215
Transactions with the State in its capacity as owner					
Dividends paid	7	-	-	(9,800)	(9,800)
Capital repatriation	22(a)	(6,600)	-	-	(6,600)
Total transactions with the State in its capacity as owner		(6,600)	-	(9,800)	(16,400)
Closing balance at 30 June 2016	22	211,008	157,898	373,811	742,717

¹ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of the fair value of infrastructure assets for 2014-15. Subsequent adjustments have been made to physical asset revaluation surplus and total equity as a result of this correction.

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 2016

	Note	30 June 2016 \$'000	30 June 2015 \$'000
Cash flows from operating activities			
Receipts from customers, developers and others		665,251	616,725
Payments to suppliers and employees		(513,063)	(480,467)
Goods and Services Tax refunded from the Australian Tax Office ¹		12,340	13,031
Government Water Rebate ²		(20,928)	(9,274)
Interest received		25	26
Income tax paid		(16,310)	(14,142)
Interest and other finance costs paid		(62,899)	(62,394)
Net cash provided by/(used in) operating activities	31	64,416	63,505
Cash flows from investing activities			
Payments for infrastructure, property, plant, equipment, and intangibles		(82,859)	(81,713)
Proceeds from sale of infrastructure, property, plant, equipment and intangibles		371	724
Net cash provided by/(used in) investing activities		(82,488)	(80,989)
Cash flows from financing activities			
Proceeds from borrowings		94,000	140,000
Repayment of borrowings		(60,000)	(106,800)
Dividends paid		(9,800)	(15,600)
Capital repatriation		(6,600)	-
Net cash provided by/(used in) financing activities		17,600	17,600
Net increase/(decrease) in cash and cash equivalents		(472)	116
Cash and cash equivalents at the beginning of the financial year		526	410
Cash and cash equivalents at the end of the financial year	8	54	526

¹ Goods and Services Tax refunded from the Australian Tax Office is presented on a net basis.

² As a result of an efficiency review of Victoria's urban water corporations, City West Water returned a total of \$37,713m (2014-15 \$36,741m) to its residential customers with a water usage charge through a \$100 rebate during the financial year. Melbourne Water Corporation's share of the rebate was \$16.875m (2014-15 \$27,467m). The two rebates are presented on a net basis.

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

1. Summary of significant accounting policies

(a) Basis of preparation

General

This is a general purpose financial report that consists of a Statement of Profit or Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes accompanying these statements. This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. City West Water is a for profit business for the purpose of preparing this financial report.

This financial report includes separate financial statements for City West Water as an individual reporting entity.

This financial report has been prepared on a going concern basis.

The accrual basis of accounting has been applied in the preparation of this financial report whereby assets, liabilities, equity, income and expenditure are included in the reporting period to which they relate, regardless of when cash is received or paid. This report is presented in Australian dollars, the functional and presentation currency of City West Water.

The annual financial statements were authorised for issue by the Board on 9 September 2016.

The principal address of the corporation is:

City West Water Corporation
1 McNab Avenue
Footscray 3011

Historical cost convention

This financial report has been prepared under the historical cost convention as modified by the revaluation of defined benefit superannuation liabilities/(assets) and infrastructure, property, plant and equipment.

Critical accounting estimates and judgements

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates. Areas involving a high degree of estimates and assumptions which can materially impact the financial statements include:

- fair valuation of infrastructure, property, plant and equipment (these assumptions are discussed in Note 1(r) and Note 13(d))
- actuarial assumptions used to determine the assets and liabilities of City West Water's defined benefit superannuation

fund (these assumptions and the related carrying amounts are discussed in Note 27(c))

- estimate of useful lives of assets (these assumptions are discussed in Note 1(j))
- impairment of assets (these assumptions are discussed in Note 1(l))
- provisions (these assumptions are discussed in Note 1(v))
- income tax (these assumptions are discussed in Note 1(e))
- unearned income (these assumptions are discussed in Note 1(x)).

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

Scope and presentation of financial statements

Statement of Profit or Loss and Other Comprehensive Income

All non-owner changes in equity are presented in the Statement of Profit or Loss and Other Comprehensive Income. This presentation is consistent with the requirements of AASB 101 - *Presentation of Financial Statements*

Balance Sheet

Assets and liabilities are presented on a current and non-current basis. Details of current and non-current assets and liabilities are disclosed in the notes where relevant.

Statement of Changes in Equity

The Statement of Changes in Equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It shows separately changes due to amounts recognised in the comprehensive result and amounts arising from transactions with the State in its capacity as owner.

Statement of Cash Flows

Cash flows are classified according to whether they arise from operating activities, investing activities or financing activities. This classification is consistent with the requirements of AASB 107 - *Statement of Cash Flows*.

New and revised accounting Standards and Interpretations

City West Water has adopted all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for the current financial year. The corporation has not early adopted any new or revised standards or interpretations. City West Water will adopt all new and revised accounting standards from the start of the reporting period after the effective date.

Standards issued that are applicable to City West Water, but not effective at 30 June 2016.

Certain new Australian Accounting Standards have been published that are not mandatory for the 30 June 2016 reporting period. They are applicable however to City West Water.

STANDARD	EFFECTIVE DATE	KEY CHANGES	IMPACT
AASB 9 <i>Financial Instruments</i>	1 January 2018	Key changes include simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise impairment losses earlier as opposed to the current approach that recognises impairment only when incurred.	A preliminary assessment has identified that the subsequent sale of financial asset available for sale will now be reported through Other Comprehensive Income and no longer recognised in profit and loss. City West Water does not have financial instruments as available for sale assets, therefore the impact of the standard will be immaterial.
AASB 14 <i>Regulatory Deferral Accounts</i>	1 January 2016	AASB 14 permits first time adopters of Australian Accounting Standards who conduct rate regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP	Assessment has indicated that there will be no material impact on City West Water's accounts.
AASB 15 <i>Revenue from Contracts with customers</i>	1 January 2018	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The standard will also require additional disclosures on service revenue and contract modifications. A preliminary assessment of the changes has not identified any material impact for City West Water.
AASB 16 <i>Leases</i>	1 January 2019	Key changes introduced by AASB 16 include the recognition of most operating leases (which are not currently recognised) on the Balance Sheet.	Operating lease commitments are currently not recorded on the Balance Sheet, but disclosed separately by way of note. City West Water will need to include operating leases on the Balance Sheet. Recognition of lease liabilities will cause net debt to increase. Interest on lease liabilities will be recognised in the Statement of Profit or Loss and Other Comprehensive Income. Cash paid for the principal portion of a lease liability will be presented within financing activities and interest payments will be presented within operating activities in the Statement of Cash Flows.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) which apply 1 January 2018.	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables that do not have a significant financing component are to be measured at their transaction price at initial recognition.	Assessment has indicated that there is not expected to be a material impact on the accounts of City West Water.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

- In addition to the new standards the AASB has issued a list of amending standards that are not effective for the 2015-16 reporting period (as listed below). In general these amending standards include editorial and reference changes that are expected to have insignificant impacts on reporting.
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014-1 *Amendments to Australian Accounting Standards [Part D - Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*
- AASB 2015-9 *Amendments to Australian Accounting Standards - Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*
- AASB 2015-10 *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128*
- AASB 2016-1 *Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.*

Prior Period Error

During the 2015-16 financial year City West Water reassessed its valuation model of infrastructure assets. The changes correct an error in the previous valuation model in relation to the valuation of deferred tax benefits (reduction in future tax cash outflows) that a theoretical acquirer would be able to access following the acquisition of the corporation, as represented by a tax amortisation benefit. In the previous valuation model the fair value of the tax amortisation benefit was not discounted to net present value based on the estimated timing of the tax savings that the tax amortisation benefit would provide.

In addition, management and the Board reassessed certain critical assumptions embedded in the valuation model and identified that these required adjustment to reflect the business environment and expected operations going forward that were present at 30 June 2015. Through this process, the existing terminal growth rate used in the previous valuation assessment was identified as too low. These operating conditions and the business environment were prevalent as at 30 June 2015 and do not reflect a change in estimate.

The restatement will decrease the depreciation expense as a result of the decrease in fair value going forward from 1 July 2015.

Refer to Note 13 for detailed disclosure on the valuation model adopted and the assumptions applied to determine the fair value of infrastructure assets. The below table reflects the differences in two key assumptions that the valuation is highly sensitive to, highlighting a comparison between the valuation previously recognised and the restated values. These have been restated as a result of increased analysis of the facts and circumstances that existed at 30 June 2015.

ASSUMPTION	2015 VALUATION	RESTATED VALUATION
Weighted average cost of capital	6.0% - 6.25%	5.8% - 6.4%
Terminal value growth rate	2.5%	3.25%

The corporation has not prepared a third balance sheet resulting from the above restatement as the impacts are not considered to warrant additional disclosure. This is in accordance with AASB 101 *Presentation of Financial Statements*. The valuation has not been restated as at 30 June 2014 as it is not practicable to do so.

The table below illustrates the impact on the Statement of Profit or Loss and Other Comprehensive Income as at 30 June 2015.

	AS PREVIOUSLY REPORTED 30 JUNE 2015	PRIOR PERIOD ERROR	RESTATED 30 JUNE 2015
	\$'000	\$'000	\$'000
Other Comprehensive Income/(Expense) net of tax			
Items that will not be reclassified to profit or loss			
Change in physical asset revaluation surplus due to revaluation of assets	65,800	(38,482)	27,318
Deferred income tax recognised in Other Comprehensive Income	(19,547)	(19,426)	(38,973)
Other Comprehensive Income after tax	45,608	(57,908)	(12,300)
Total comprehensive income after tax	82,046	(57,908)	24,138

The table below illustrates the impact on the Balance Sheet as at 30 June 2015.

	AS PREVIOUSLY REPORTED 30 JUNE 2015	PRIOR PERIOD ERROR	RESTATED 30 JUNE 2015
	\$'000	\$'000	\$'000
Non-current assets			
Infrastructure, property, plant and equipment	1,910,150	(38,482)	1,871,668
Total assets	2,198,116	(38,482)	2,159,634
Non-current liabilities			
Deferred tax liabilities	253,474	19,426	272,900
Total liabilities	1,400,306	19,426	1,419,732
Equity			
Physical asset revaluation surplus	249,679	(57,908)	191,771
Total equity	797,810	(57,908)	739,902

The table below illustrates the impact on the Statement of Changes in Equity for the year ended June 2015.

	AS PREVIOUSLY REPORTED 30 JUNE 2015	PRIOR PERIOD ERROR	RESTATED 30 JUNE 2015
	\$'000	\$'000	\$'000
Other comprehensive income for the year			
Physical asset revaluation surplus	46,060	(57,908)	(11,848)
Total equity	45,608	(57,908)	(12,300)
Total comprehensive income after tax			
Physical asset revaluation surplus	46,060	(57,908)	(11,848)
Total equity	82,046	(57,908)	24,138
Balance at 30 June 2015			
Physical asset revaluation surplus	249,679	(57,908)	191,771
Total equity	797,810	(57,908)	739,902

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(b) Changes in accounting policy

There have been no changes in accounting policy during the 2015-16 year.

REVENUE

(c) Revenue recognition

Revenue is measured as the fair value of consideration received or receivable. City West Water recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the corporation and specific criteria have been met for each of the corporation's activities as described below.

Each form of revenue is recognised as follows:

- water usage and sewage disposal charges which are billed quarterly in advance are recognised evenly throughout the financial year to reflect the pattern of revenue earned
- water and sewerage usage charges are recognised as income when the service has been provided
- trade waste charges are recognised as income when the service has been provided
- recycled water usage charges are recognised as income when the service has been provided
- water trading revenue is recognised at the time of signing of a contract to transfer water to the purchaser
- developer contributions represent charges levied on developers to recover the costs of augmenting or constructing infrastructure assets to meet the future demands of urban growth. Developers are required to make a fair and reasonable contribution towards the cost of developing City West Water's water supply distribution systems and sewage disposal systems. In accordance with the requirements of AASB Interpretation 18 - *Transfers of Assets from Customers* and AASB 118 - *Revenue*, recognition of income occurs upon receipt
- developer contributed assets arise where developers pay for the cost of construction of new assets and subsequently 'gift' these assets to City West Water which maintains them in perpetuity. In accordance with the requirements of AASB Interpretation 18 - *Transfers of Assets from Customers* and AASB 118 - *Revenue*, recognition of income occurs when the risks and rewards of ownership have been transferred to City West Water. This non-cash revenue is recorded as developer contributed assets. Where actual cost is not available, City West Water recognises income by assessing the value of the works using a schedule of rates determined by the corporation based on historical cost tender information
- the Government Water Rebate is recognised as a rebate against revenue when the associated revenue is billed
- income from works and services provided to third parties

is recognised when the service has been provided

- interest is recognised as revenue when earned and is accrued in accordance with the terms and conditions of the underlying financial instrument
- fees and charges are recognised as income when the service has been provided
- revenue from assets held for sale is recognised on the signing of an unconditional contract of sale. Property sales are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a net basis of sale proceeds less costs
- government grants relating to costs are deferred and recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period necessary to match them with the costs they are intended to compensate. Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the corporation has complied with any attached conditions
- other revenue items are reported on an accrual basis.

EXPENDITURE

(d) Finance expenses

Finance expenses are recognised in the period in which they are incurred. All qualifying assets (being assets that necessarily take a substantial period of time to prepare for their intended use or sale) are measured at fair value. Any finance costs directly attributable to the acquisition, construction or production of these qualifying assets are not required to be capitalised and instead are expensed in the period in which they are incurred.

(e) Income tax

City West Water is subject to the National Tax Equivalent Regime pursuant to section 88(1) of the *State Owned Enterprises Act 1992*. Under this regime City West Water is required to pay to the Victorian State Government an amount equal to the tax liability applicable if City West Water was a private company. The tax equivalent rules are based on the *Income Tax Assessment Act 1997* (as amended).

Income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and deferred tax liabilities attributable to temporary differences.

Deferred income tax is provided for in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by balance date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

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.

(f) Bulk charges

Bulk charges are levied by Melbourne Water Corporation for the cost of water City West Water purchases and for sewage treated at Melbourne Water's Western Treatment Plant. Variable charges are levied in arrears and are payable on a weekly basis. Fixed charges are levied once a month and are payable on the 15th of the month to which they refer. Any variable charges that remain outstanding at period end are accrued. The Government Water Rebate associated with bulk charges is recognised as a rebate against bulk charges upon receipt.

(g) Environmental Contribution

Section 193 of the *Water Industry Act 1994* (the Act) establishes an obligation for water corporations to pay into the consolidated fund environmental contributions in accordance with an Order issued by the Minister for Water. The *Environmental Contributions Order 2012 to 2016* established a schedule of amounts payable by each corporation for the four year period 2012-13 to 2015-16. The *Environmental Contributions Order 2016 to 2020* establishes a future schedule of amounts payable by each corporation for the four year period 2016-17 to 2019-20.

The purpose of the Environmental Contribution is set out in the Act. Funds may be used for funding various water related initiatives that seek to promote the sustainable management of water or are likely to address adverse water related environmental impacts. Consistent with orders issued under section 193 of the Act, City West Water pays an environmental contribution to the Victorian Government. These contributions are recognised as expenses when they occur.

(h) Employee benefits and agency labour

Employee benefits and agency labour refers to all payments made to employees during the year. It includes payments to all City West Water staff as well as contract and agency staff. Payments include ordinary time, overtime, allowances, on costs, Fringe Benefits Tax, redundancy costs and WorkCover. Employee benefits and agency labour is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income. A portion of employee benefits directly attributable to capital projects is capitalised.

(i) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases are classified as operating leases whenever the terms of the lease retain substantially all the risks and rewards of ownership with the lessor. Payments made under operating leases are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the period of the lease.

City West Water did not hold any finance lease arrangements during the current or previous reporting periods.

(j) Depreciation and amortisation

All infrastructure assets, buildings, plant and equipment, motor vehicles and other non-current physical assets (excluding items under operating leases, assets held for sale and investment properties) that have a limited useful life are depreciated. All intangible assets with a limited useful life are amortised.

Depreciation and amortisation are generally calculated on a straight line basis at rates that allocate an asset's value less any estimated residual value over its estimated useful life. The useful life and residual value of each group of assets is reviewed annually. The estimated useful life ranges of assets are listed below and are consistent with prior years.

ASSET TYPE	RANGE
Buildings	5 - 90 years
Infrastructure assets	4 - 100 years
Plant and equipment	3 - 50 years
Motor vehicles	5 - 15 years
Leasehold improvements	7 - 20 years
Software	3 - 10 years

Depreciation of a new infrastructure asset begins in the month following the practical completion of works. Depreciation of other new assets begins in the month following acquisition. Amortisation of software begins in the month following commissioning.

(k) Repairs and maintenance

Routine maintenance, repair costs and minor asset renewal costs are expensed as incurred. Where the expenditure relates to the replacement of a component or the enhancement of an asset and the cost satisfies the requirements of an asset, the cost is capitalised and depreciated.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(l) Impairment of assets

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount. All other assets are assessed annually for indicators of impairment, except for:

- financial assets
- non-current physical assets held for sale
- deferred tax assets
- financial instrument assets
- inventories.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the Statement of Profit or Loss and Other Comprehensive Income, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

The recoverable amount for most assets is measured as the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amounts for assets held primarily to generate net cash inflows are measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that in the event of the loss of an asset the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading physical asset revaluation surplus. However, to the extent that an impairment loss on the same asset was previously recognised in the Statement of Profit or Loss and Other Comprehensive Income, a reversal of that impairment loss is also recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(m) Other expenditure

Other expenditure is reported on an accrual basis.

ASSETS

(n) Cash and cash equivalents

For Statement of Cash Flows presentation purposes cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and bank overdrafts. Bank overdrafts (if any) are shown within the borrowings component of current liabilities in the Balance Sheet.

(o) Receivables

Receivables are initially recognised at fair value and subsequently measured at fair value less provision for impairment. Trade receivables are due for settlement no more than 14 days from the date of recognition for water utility debtors and 14 days for other debtors. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impaired receivables is established where it is considered that the recovery of the outstanding debt is less than likely. The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income as an element of expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the provision. Subsequent recovery of amounts previously written off is credited against impaired receivables in the Statement of Profit or Loss and Other Comprehensive Income.

(p) Prepayments

Prepayments represents payments made in advance of the receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period. Prepayments are recognised as an asset upon payment and subsequently expensed over the period the payment covers.

(q) Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as being met only when a sale is highly probable and the asset's sale is expected to be completed within one financial year from the date of classification. These assets are measured at the lower of their carrying amount and fair value less costs to sell and are not subject to depreciation. Refer to Note 11 for further information regarding non-current assets held for sale.

(r) Infrastructure, property, plant and equipment

The cost method of accounting has been used for all acquisitions of assets during the year. Cost is determined as the fair value of the assets given up at the date of acquisition plus any costs directly attributable to the acquisition. Fair value at acquisition is deemed to be equal to cost.

The cost of non-current assets constructed by City West Water includes all costs in respect of their construction. In the case of developer contributed assets where actual cost is not available, cost is calculated using a schedule of rates determined by the corporation based on historical cost information.

An asset is capitalised when it is probable that future economic benefits associated with the item will flow to City West Water and the item can be measured reliably. City West Water has a policy of capitalising labour costs which are directly attributable to capital projects.

The carrying amount of a replaced or abandoned asset is written off in the Statement of Profit or Loss and Other Comprehensive Income as an element of expenses. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Subsequent valuation of infrastructure, property, plant and equipment is at fair value. Fair value is determined as the price to sell an asset in an orderly transaction between market participants at measurement date. City West Water uses observable market data for fair valuation as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets
- Level 2 - inputs based on observable market data (either directly using prices or indirectly derived from prices)
- Level 3 - inputs not based on observable market data.

An asset's fair value is determined with regard to the asset's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset or public announcements or commitments made in relation to the intended use of the asset.

When an event or change in circumstances causes a transfer between input levels City West Water deems the transfer to occur at the end of the reporting period in which the event takes place.

Land and buildings

Land and buildings are measured at fair value. Fair value is determined by an independent valuer using direct comparison to market based transactions for comparable properties in comparable areas or alternatively, the capitalisation of net income approach. When land is used for a specific community

service the valuation is adjusted by a community service obligation to reflect this.

Plant and equipment and motor vehicles

Plant and equipment and motor vehicles are measured initially at cost and subsequently at fair value less accumulated depreciation and impairment losses (if applicable).

Leasehold improvements and works in progress

Leasehold improvements are measured initially at cost and subsequently at cost less accumulated depreciation. Works in progress are measured at cost.

Infrastructure

Infrastructure assets are measured initially at cost and subsequently at fair value less accumulated depreciation and impairment losses (if applicable). Fair value is determined using the income approach (discounted cash flow method).

Revaluation of non-current physical assets

Non-current physical assets are measured at fair value. A full revaluation normally occurs every five years, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations. A full revaluation was performed during 2015-16 for the entire portfolio. Infrastructure assets are revalued each year using the income approach (discounted cash flow method). Refer to Note 13(d) for a full explanation of the income approach (discounted cash flow method).

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of an asset is increased as a result of a revaluation) are recognised in Other Comprehensive Income and accumulated in the equity section of the Balance Sheet in physical asset revaluation surplus, except that a net revaluation increase is recognised in the net result when it reverses a net revaluation decrease in respect of the same item of property, plant and equipment previously recognised as an expense in the net result.

Net revaluation decreases are recognised immediately as expenses in the net result, except to the extent that the net revaluation decrease is recognised in Other Comprehensive Income when a credit balance exists in physical asset revaluation surplus in respect of the same item of property, plant and equipment. The net revaluation decrease recognised in Other Comprehensive Income reduces the amount accumulated in the equity section of the Balance Sheet in physical asset revaluation surplus.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(s) Intangible assets

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and impairment losses (if applicable). Intangible assets consists of software, water entitlement rights and lease rights.

Water entitlement rights have an indefinite useful life and as such are not amortised. Instead they are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

LIABILITIES

(t) Payables

Payables are amounts which represent liabilities for goods and services provided to City West Water prior to the end of the financial year which are unpaid at the end of the financial year. These amounts are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost.

Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the interest bearing liabilities using the effective interest method.

Borrowings are classified as current liabilities unless the corporation has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

City West Water has classified borrowings which mature within 12 months as non-current on the basis that the corporation will and has the discretion to refinance or roll over these loans with the Treasury Corporation of Victoria pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. Borrowings known as 11am debt are classified as current borrowings.

City West Water's principal financial instruments are loans sourced from the Treasury Corporation of Victoria. These loans include overnight borrowings, floating rate notes, fixed rate loans and flexi loans and are used to meet working capital requirements and fund capital expenditure.

(v) Provisions

Provisions are recognised when the corporation has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(w) Other liabilities

Advances and deposits represents amounts received from developers in advance of the provision of goods and services or as security refundable upon the expiration of a warranty period after developer works have been completed. Advances and deposits are recognised on receipt at nominal value.

Deferred developer reimbursements represents amounts payable to developers for additional works performed at City West Water's request. Reimbursements are payable to the developer on the expiration of a works warranty period. Deferred developer reimbursements are recognised on receipt at nominal value.

(x) Unearned income

Unearned income represents payments received in advance of the provision of goods or services or any legal or constructive obligation required to be performed by City West Water to settle the terms of receipt of unearned income. Unearned income is recognised on receipt at nominal value.

(y) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, termination benefits, performance bonuses, annual leave and long service leave for services rendered to the reporting date.

(i) Wages, salaries annual leave and sick leave

Liabilities for wages and salaries including non-monetary benefits, annual leave and sick leave are recognised in the provision for employee benefits as current liabilities as the corporation does not have an unconditional right to defer settlement of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages, salaries, annual leave and sick leave are measured at:

- nominal value - component that the corporation expects to settle wholly within 12 months
- present value - component that the corporation does not expect to settle wholly within 12 months.

(ii) Long service leave

A liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability even where the corporation does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of current LSL liability are measured at:

- nominal value - component that the corporation expects to settle wholly within 12 months
- present value - component that the corporation does not expect to settle wholly within 12 months.

Conditional LSL is disclosed as a non-current liability. In this case there is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is recognised at present value. Any gain or loss following revaluation of the present value of the non-current LSL liability is recognised as an income or expense.

(iii) Employee benefit on-costs

Employee benefit on-costs such as payroll tax, WorkCover premiums, and superannuation are included in the provision for employee benefits.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The corporation recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(v) Performance bonuses

Performance bonuses for the corporation's executive officers are based on a percentage of the annual salary package provided under their contracts of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

(z) Superannuation

All City West Water employees are members of either City West Water's defined benefit fund or an approved accumulation fund of their choice. The amount charged to the Statement of Profit or Loss and Other Comprehensive Income in respect of superannuation represents the contributions made by City West Water to superannuation funds for the current service of current staff.

Contributions to accumulation funds are made in accordance with the *Superannuation Guarantee (Administration) Act 1992*.

Contributions to the defined benefit fund are based on the relevant rules of the fund.

Defined benefit members receive lump sum benefits (or a pension in limited cases) on retirement, death, disablement or withdrawal from the plan. The defined benefit plan was closed to new members on 31 December 1994. An actuarial assessment of the corporation's defined benefit position is undertaken on an annual basis.

A liability or asset in respect of defined benefits superannuation is recognised and measured as the difference between the present value of employees' accrued benefits at reporting date and the net market value of the superannuation plan's assets at that date. The present value of accrued benefits is based on expected future payments which arise from membership of the plan to reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using rates of Commonwealth Government bonds with terms to maturity that match, as closely as possible, future estimated cash outflows. Changes in the net defined benefit superannuation liability or asset are recognised in profit before tax in the period during which they occur, except for changes resulting from actuarial gains or losses, which are recognised in Other Comprehensive Income during the period in which they occur.

(aa) Dividend payable

As City West Water is owned by government, it is required to pay a dividend in accordance with a determination by the Treasurer of Victoria under the *Water Act 1989*. An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the Board, the relevant portfolio Minister and the Treasurer. As this process has not been finalised at balance date, the Balance Sheet does not include a provision for final dividend for the 2015-16 financial year.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(ab) Goods and Services Tax

Revenues, expenses and assets are recognised net of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the ATO is included with receivables or payables on the balance sheet.

Cash flows are presented on a gross basis inclusive of GST. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the ATO are presented as operating cash flows.

Commitments and contingent assets and liabilities are also stated inclusive of GST (where applicable).

(ac) Financial instruments

A financial instrument is recognised when the corporation becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when contractual rights to the cash flows from the assets expire. Financial liabilities are de-recognised if the corporation's obligations specified in the contract expire, are discharged or cancelled.

Financial instruments are initially measured at fair value. Subsequent to recognition financial instruments are measured as follows:

- trade receivables and other receivables are recorded at amortised cost less impairment
- all financial liabilities including borrowings and payables are measured at cost.

Impairment

At each balance date the corporation assesses whether there is objective evidence that a financial asset is impaired and the amount outstanding will not be recovered in full.

(ad) Rounding of amounts

Amounts in the financial statements are rounded to the nearest thousand dollars or in certain cases to the nearest dollar.

EQUITY

(ae) Contributed equity

Additions to net assets which have been designated as contributed equity by the Minister for Finance are recognised as contributed equity. Other transfers that are in the nature of distributions or contributions have also been designated as distributions to or contributions by owners.

(af) Physical asset revaluation surplus

Physical asset revaluation surplus is used to record revaluation increments and decrements in the value of non-current physical assets.

(ag) Retained profits

Retained profits represents accumulated retained profits over the lifetime of the corporation.

OTHER

(ah) Commitments

Commitments for future expenditure includes operating and capital commitments arising from contracts. These commitments are disclosed by way of note at their nominal value inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

(ai) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet but are disclosed by way of note and if quantifiable are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively where applicable.

2. Financial risk management objectives and policies

City West Water's activities expose it to a variety of financial risks, principally market risk, credit risk, and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of City West Water's risk management framework. City West Water's principal financial instruments comprise:

- cash assets
- receivables (excluding statutory receivables)
- payables (excluding statutory payables)
- borrowings.

City West Water's principal financial instruments are loans sourced from the Treasury Corporation of Victoria (TCV). These loans include overnight borrowings, floating rate notes, fixed rate loans and flexi loans and are used to meet working capital requirements and fund capital expenditure. City West Water has other financial assets and liabilities such as receivables and payables which arise directly from its operating activities. City West Water's overall financial risk management strategy is to manage its financial risks within an environment that is in accordance with the risk criteria established by the Board of Directors. The General Manager, Corporate Services evaluates and implements risk mitigation strategies in consultation with the corporation's relevant departments. The main purpose of holding financial instruments is to fund the corporation's capital expenditure program. It is City West Water's objective to prudently manage the corporation's financial risks within government policy parameters.

City West Water uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and aging analysis for credit risk. All interest income earned by City West Water is generated by cash at bank or 11am (short term) deposit with TCV.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

Financial risk exposures

Market risk

Market risk is the risk that changes in market prices will affect the fair value of future cash flows of City West Water's financial instruments. Market risk is comprised of interest rate risk, foreign exchange risk and other price risk. City West Water's exposure to market risk is purely through interest rates.

City West Water's exposure to market interest rates relates primarily to its floating rate debt, rolling over of fixed rate debt and new borrowings. City West Water's borrowings are sourced from TCV and are managed within the range of Board and Treasurer approved limits. Interest rates and borrowing requirements are monitored regularly. City West Water manages its exposure to interest rate changes by holding a mix of fixed and floating rate debt as well as the use of flexi loans, which allows interest rates to be reset to coincide with regulatory price resets. City West Water's Treasury Risk Management Policy requires it to limit the proportion of floating rate debt to a maximum of 30 per cent of total debt. City West Water has minimal exposure to interest rate risk through cash holdings and manages its interest rate exposure on cash by investing its surplus funds with TCV.

City West Water has no exposure to foreign exchange rate risk or other price risk.

The table overleaf summarises the sensitivity of City West Water's financial assets and financial liabilities to interest rate risk.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

2. Financial risk management objectives and policies (continued)

Sensitivity analysis

2014-15

	Total \$'000	Interest rate risk			
		-0.5%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
Cash (Note 8) ¹	526	(2)	(2)	2	2
Receivables (Note 9, 12) ²	89,234	-	-	-	-
Total financial assets	89,760	(2)	(2)	2	2
Financial liabilities					
Payables (Note 15) ²	50,786	-	-	-	-
Borrowings (Note 16, 21) ³	1,056,700	3,616	3,616	(3,616)	(3,616)
Advances and deposits (Note 20)	4,238	-	-	-	-
Deferred developer reimbursements (Note 20)	6,802	-	-	-	-
Other (Note 20)	373	-	-	-	-
Total financial liabilities	1,118,899	3,616	3,616	(3,616)	(3,616)
Total increase/(decrease)		3,614	3,614	(3,614)	(3,614)

2015-16

	Total \$'000	Interest rate risk			
		-0.5%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
Cash (Note 8) ¹	54	(1)	(1)	1	1
Receivables (Note 9, 12) ²	110,369	-	-	-	-
Total financial assets	110,423	(1)	(1)	1	1
Financial liabilities					
Payables (Note 15) ²	54,433	-	-	-	-
Borrowings (Note 16, 21) ³	1,090,700	631	631	(631)	(631)
Advances and deposits (Note 20)	4,948	-	-	-	-
Deferred developer reimbursements (Note 20)	6,167	-	-	-	-
Other (Note 20)	407	-	-	-	-
Total financial liabilities	1,156,655	631	631	(631)	(631)
Total increase/(decrease)		630	630	(630)	(630)

¹ Calculation is based on average cash holdings of \$0.3m (2014-15 \$0.5m).² Does not include statutory receivables and payables.³ Calculation is based on new borrowings, loans refinanced, forward rate agreements struck during the year and average 11am balance during the year.

Credit risk

Credit risk is the risk of financial loss to City West Water as a result of a customer or counterparty to a financial instrument failing to meet contractual obligations. Credit risk arises principally in connection with City West Water's receivables.

City West Water's exposure to credit risk is influenced by the individual characteristics of each customer. City West Water's receivables balance consists of amounts due from a large number of residential customers as well as non-residential customers spread across a diverse range of industries. Receivables balances are monitored on an ongoing basis. Where applicable, collection action is taken to ensure that exposure to bad debt is minimised. City West Water has in place a policy and a procedure for the collection of overdue receivables.

City West Water's maximum exposure to credit risk is the carrying amount of receivables. Further information on City West Water's receivables policy is disclosed in Note 1(o).

Further analysis of City West Water's receivables credit risk is disclosed in Note 9.

Liquidity risk

Liquidity risk is the risk that City West Water will no longer be able to meet its financial obligations as they fall due. City West Water's policy is to pay its accounts payable liabilities within 30 days or, in the event of dispute, within 30 days from the date of resolution.

City West Water manages liquidity risk by maintaining adequate bank overdraft and TCV borrowing facilities, continuous monitoring of forecast inflows and outflows, and matching the maturity profile of financial assets and financial liabilities where appropriate.

City West Water's borrowings are sourced from TCV while surplus funds are also invested with TCV through 11am (short term) deposits.

Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The carrying values less any impairment provisions of trade receivables and payables are assumed to approximate their fair value due to their short term nature. The fair value of financial liabilities for disclosure purposes are estimated by discounting future contractual cash flows at the current market interest rate that is available to City West Water for similar financial instruments.

Refer to Note 32 for the carrying amounts and fair values of financial instruments.

Capital management

City West Water manages its capital by maintaining a prudent level of gearing in order to provide the Victorian Government with adequate returns and to ensure it can fund its operations as a going concern.

City West Water's objective is to maintain its gearing ratio within the Essential Services Commission's benchmark ratio of 60 per cent. City West Water's gearing ratio (debt/total assets) for the year was 50.4 per cent compared to 48.9 per cent in 2014-15.

The only externally imposed capital requirements applying to City West Water are:

- that the financial accommodation does not exceed the approval limits set by the Treasurer of Victoria pursuant to the *Borrowing and Investment Powers Act 1987*
- that City West Water, with the exception of a trading account with overdraft facilities, is required to borrow exclusively with TCV pursuant to the *Borrowing and Investment Powers Act 1987*.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

3. Revenue and other income

	30 June 2016 \$'000	30 June 2015 \$'000
Sales revenue		
Service charges - water	95,901	88,460
Volume charges - water	259,868	236,286
Service charges - sewerage	108,088	102,333
Volume charges - sewerage	111,348	101,819
Trade waste charges	35,509	33,838
Recycled water charges	6,188	5,574
Water trading revenue	2,566	1,375
Desalination cost returns ¹	-	184
Government Water Rebate provided to customers ²	(37,713)	(36,741)
Total sales revenue	581,755	533,128
Other revenue		
Developer contributions	26,933	20,517
Developer contributed assets	34,603	19,120
Works and services provided to third parties	6,681	5,854
Interest	30	27
Fees and charges	16,476	14,514
Lease income	207	201
Other	749	882
Total other revenue	85,679	61,115
Total revenue	667,434	594,243
Other income		
Government grants ³	2,442	4,750
Gain on sale of non-current physical assets	217	41
Total other income	2,659	4,791
Total revenue and other income	670,093	599,034

¹ As there were no further repayments expected to be made the provision for desalination cost returns was written back during 2014-15 resulting in the recognition of \$0.184m of revenue.

² As a result of an efficiency review of Victoria's urban water corporations, City West Water and the other metropolitan retailers included a \$100 bill reduction for every residential customer with a water usage charge in the first water bill of the financial year for the four years from 2014-15.

³ City West Water received government funding during the year for various projects. All conditions attached to Government grants have been satisfied prior to their recognition in the Statement of Profit or Loss and Other Comprehensive Income. City West Water did not benefit directly from any other form of government assistance.

4. Expenses

	30 June 2016 \$'000	30 June 2015 \$'000
Bulk charges		
Bulk water and sewerage charges	371,847	351,824
Rebates received from Melbourne Water Corporation ^{1,2}	(16,785)	(28,229)
Total bulk charges	355,062	323,595
Operating expenses		
Environmental Contribution	18,563	18,563
Employee benefits and agency labour	39,603	37,076
Operating contracts	31,870	32,211
Information technology	6,403	6,057
Licence fees	506	436
Billing and collection	7,062	6,441
Rental expenses relating to operating leases	3,255	3,531
Grants and water conservation initiatives	830	709
Facilities maintenance	2,032	2,381
Insurance	1,180	1,150
Depreciation	38,606	34,598
Amortisation	8,730	7,384
Energy	1,690	1,202
Defined benefit superannuation expense	839	753
Asset write offs/write downs	253	1,155
Impaired receivables	1,496	1,906
Impairment write down of assets ³	11,724	-
Other	11,308	9,704
Total operating expenses	185,950	165,257
Total expenses	541,012	488,852
Finance expenses		
Interest expense	50,290	50,653
Financial accommodation levy	13,047	12,187
Bank charges	7	7
Other	-	45
Total finance expenses	63,344	62,892

¹ As a result of an efficiency review of Victoria's urban water corporations, City West Water received a rebate from Melbourne Water Corporation on bulk water and sewerage charges of \$16.785m (2014-15 \$27.467m).

² As a result of the *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* City West Water received a rebate from Melbourne Water Corporation of \$0.762m in 2014-15. Further benefits were received during 2015-16 in the form of reduced bulk water prices from Melbourne Water.

³ This includes impairment of intangible assets associated with the Field Mobility Solution of the Arrow Program of \$11.575m and a downward revaluation of land at the corporation's Ballan Road tank site \$0.149m.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

5. Income tax

	30 June 2016 \$'000	30 June 2015 \$'000
(a) Income tax expense		
Current tax	23,099	16,725
Deferred tax relating to temporary differences	(1,151)	(5,873)
Total income tax expense	21,948	10,852
Income tax expense is attributable to:		
Profit from continuing operations	21,948	10,852
Total income tax expense	21,948	10,852
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(209)	(447)
Increase/(decrease) in deferred tax liabilities	(942)	(5,426)
Total deferred income tax expense/(benefit)	(1,151)	(5,873)
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	65,737	47,290
Tax at the Australian tax rate of 30 per cent (2014-15 30 per cent)	19,721	14,187
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	1,023	925
Non-deductible depreciation	886	886
Additional deductible expenses/non-assessable income	318	(5,146)
Total income tax expense	21,948	10,852
(c) Deferred income tax recognised in Other Comprehensive Income		
Gain/(loss) on revaluation of infrastructure ¹	(32,796)	38,497
Gain/(loss) on revaluation of land and buildings	(7,948)	669
Actuarial gain/(loss) on defined benefit superannuation plan	(552)	(193)
Total deferred income tax recognised in Other Comprehensive Income	(41,296)	38,973

¹ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of the fair value of infrastructure assets for 2014-15. A subsequent adjustment has been made to gain/(loss) on revaluation of infrastructure as a result of this.

6. Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets

The balance of deferred tax assets comprises temporary differences attributable to:

Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income

	30 June 2016 \$'000	30 June 2015 \$'000
Accrued expenses	17	21
Provisions	6,829	6,219
Amortisation of intellectual property	17	20
Business related costs	75	12
Prepayments	6	18
Defined benefit superannuation fund liability	(445)	-

Amounts recognised in equity

Actuarial loss on defined benefit superannuation fund	552	-
Total deferred tax assets	7,051	6,290

Movements:

Opening balance at the start of financial year	6,290	5,843
Credited/(charged) to the Statement of Profit or Loss and Other Comprehensive Income (Note 5a)	209	447
Credited/(charged) to equity (Note 5(c))	552	-
Closing balance at the end of financial year	7,051	6,290

Deferred tax assets expected to be recovered within 12 months	6,260	5,662
Deferred tax assets expected to be recovered after more than 12 months	791	628
Total deferred tax assets	7,051	6,290

Set off of deferred tax assets pursuant to set off provisions	(7,051)	(6,290)
Net deferred tax assets	-	-

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

6. Deferred tax assets and deferred tax liabilities (continued)

	30 June 2016 \$'000	30 June 2015 \$'000
(b) Deferred tax liabilities		
The balance of deferred tax liabilities comprises temporary differences attributable to:		
Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Fixed assets - depreciation	90,331	89,696
Developer contributed assets	61,485	62,371
Defined benefit superannuation fund asset	-	686
Amounts recognised in equity		
Land and buildings revaluation	2,083	10,035
Infrastructure assets revaluation ¹	83,606	116,402
Total deferred tax liabilities¹	237,505	279,190
Movements:		
Opening balance at the start of the financial year	279,190	245,643
(Credited)/charged to the Statement of Profit or Loss and Other Comprehensive Income (Note 5a)	(942)	(5,426)
(Credited)/charged to equity (Note 5(c)) ¹	(40,743)	38,973
Closing balance at the end of financial year¹	237,505	279,190
Deferred tax liabilities expected to be settled within 12 months	-	669
Deferred tax liabilities expected to be settled after more than 12 months ¹	237,505	278,521
Total deferred tax liabilities	237,505	279,190
Set off of deferred tax assets pursuant to set off provisions	(7,051)	(6,290)
Net deferred tax liabilities¹	230,454	272,900

¹ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of the fair value of infrastructure assets for 2014-15. A subsequent adjustment has been made to deferred tax liabilities as a result of this.

7. Dividends

	30 June 2016 \$'000	30 June 2015 \$'000
Final dividend paid during 2015-16 in respect of 2014-15	(9,800)	-
Interim dividend paid during 2014-15 in respect of 2014-15	-	(4,200)
Final dividend paid during 2014-15 in respect of 2013-14	-	(11,400)
Total	(9,800)	(15,600)

Given that the 2015-16 final dividend has not been determined by the Treasurer, it has not been provided for at reporting date. The Board's preliminary final dividend estimate is \$13.0m. Refer to Note 22(c) for dividend payments made during the year and to Note 1(aa) for dividend policy.

8. Current assets - Cash and cash equivalents

Cash at bank	20	403
Deposits at call	34	123
Total current assets - Cash and cash equivalents	54	526

City West Water's financial risk management objectives and policies are detailed in Note 2 and Note 32.

9. Current assets - Receivables

Unbilled receivables - contractual	61,051	58,007
Account receivables - contractual ¹	53,141	35,217
Less: Provision for impaired receivables contractual ²	(3,846)	(4,013)
Total current assets - Contractual receivables	110,346	89,211
Account receivables - statutory	1,721	1,396
Total current assets - Statutory receivables	1,721	1,396
Total current assets - Receivables	112,067	90,607

¹ Contractual accounts receivable has increased during 2015-16 mainly due to a receivable for the sale of corporation's former head office site at St Albans Road, Sunshine. Refer to Note 11 for further detail.

² As at 30 June 2016, contractual account receivables of the corporation with a nominal value of \$3,846m (2014-15 \$4.013m) were impaired. The individually impaired receivables relate to aged debts where it is considered that the recovery of the outstanding debt is less than likely.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

9. Current assets - Receivables (continued)

	30 June 2016 \$'000	30 June 2015 \$'000
Contractual receivables not past due and not impaired	108,195	88,301
Contractual receivables past due but not impaired	5,997	4,923
Contractual receivables impaired	(3,846)	(4,013)
Total current assets - Contractual receivables	110,346	89,211

Movements in provision for impaired receivables - contractual are as follows:

Opening balance at the start of the year	(4,013)	(3,649)
Provision for impaired receivables - contractual recognised during the year	(2,357)	(2,524)
Contractual receivables written off during the year as uncollectible	2,524	2,160
Closing balance at the end of the year	(3,846)	(4,013)

As at 30 June 2016, contractual receivables of \$5.997m (2014-15 \$4.923m) were past due but not impaired. The ageing of these receivables is as follows:

30-59 days past due	3,587	3,051
60-89 days past due	1,312	787
90 days and greater past due	1,098	1,085
Contractual receivables past due but not impaired	5,997	4,923

10. Current assets - Prepayments

Prepayments - general	1,242	1,585
Prepayment - Smart Water Fund	116	40
Total current assets - Prepayments	1,358	1,625

11. Current assets - Non-current assets classified as held for sale

	30 June 2016 \$'000	30 June 2015 \$'000
Land	-	11,143
Buildings	-	4,181
Total current assets - Non-current assets classified as held for sale	-	15,324

City West Water sold its former head office site at St Albans Road, Sunshine following the relocation of its head office to Footscray. The sale became unconditional during 2015-16.

Fair value measurement prior to the decision for assets to be classified as held for sale

Prior to the decision to classify land and buildings as held for sale, fair value of specialised land was determined using the direct comparison method adjusted for Community Service Obligations (CSOs) due to the public purpose use of the land. Because a CSO is considered to be a significant unobservable input this is a Level 3 fair value measurement as per the fair value hierarchy set out in Note 1(r). Fair value of buildings was determined using the market based direct comparison approach. This is a Level 2 fair value hierarchy measurement as per the fair value hierarchy set out in Note 1(r).

Fair value measurement subsequent to the decision for assets to be classified as held for sale

Subsequent to the decision to classify assets as held for sale, land and buildings have been measured at the lower of their carrying amount and their fair value less costs to sell. This is because the carrying amount of these assets will be recovered through a sale transaction rather than through continuing use. City West Water considers that the sale of these assets is highly probable and that the assets are available for immediate sale in their present condition. These assets are not depreciated while classified as held for sale. Prior to reclassification as land held for sale the CSO adjustment attributable to the land at St Albans Road was removed. As a result of the removal of this significant unobservable input land held for sale was transferred from a Level 3 fair value hierarchy asset to a Level 2 fair value hierarchy asset. As buildings do not contain significant unobservable inputs they remain classified as Level 2 fair value hierarchy assets after their transfer to assets held for sale.

12. Non-current assets - Receivables

Receivables - Contractual ¹	23	23
Total non-current assets - Receivables	23	23

¹ Non-current receivables - contractual are past due but not impaired.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

13. Non-current assets - Infrastructure, property, plant and equipment

	30 June 2016 \$'000	30 June 2015 \$'000
Specialised land at fair value	29,335	20,848
Non-specialised land at fair value	497	3,742
Total land	29,832	24,590
Non-specialised buildings at fair value	4,188	7,275
less accumulated depreciation	-	(4,267)
Total buildings	4,188	3,008
Infrastructure assets at fair value ¹	1,656,984	1,638,207
Total infrastructure	1,656,984	1,638,207
Plant and equipment at fair value	32,430	27,901
less accumulated depreciation	(23,775)	(21,732)
Total plant and equipment	8,655	6,169
Motor vehicles at fair value	4,206	4,130
less accumulated depreciation	(1,967)	(1,474)
Total motor vehicles	2,239	2,656
Leasehold improvements at cost	6,189	6,040
less accumulated depreciation	(626)	(278)
Total leasehold improvements	5,563	5,762
Works in progress at cost	171,059	191,276
Total infrastructure, property, plant and equipment	1,878,520	1,871,668

¹ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of fair value of infrastructure assets for 2014-15.

13(a) Infrastructure, property, plant and equipment by fair value hierarchy level

	Carrying Amount \$'000	Fair value measurement using:		
		Level 1 ¹ \$'000	Level 2 ² \$'000	Level 3 ³ \$'000
2014-15				
Freehold land at fair value	24,590	-	-	-
Non-specialised land		-	3,742	-
Specialised land		-	-	20,848
Non-specialised buildings at fair value	3,008	-	3,008	-
Infrastructure assets at fair value ⁴	1,638,207	-	-	1,638,207
Plant and equipment at fair value	6,169	-	-	6,169
Motor vehicles at fair value	2,656	-	-	2,656
Total infrastructure, property, plant and equipment	1,674,630	-	6,750	1,667,880
2015-16				
Freehold land at fair value	29,832	-	-	-
Non-specialised land		-	497	-
Specialised land		-	-	29,335
Non-specialised buildings at fair value	4,188	-	4,188	-
Infrastructure assets at fair value	1,656,984	-	-	1,656,984
Plant and equipment at fair value	8,655	-	-	8,655
Motor vehicles at fair value	2,239	-	-	2,239
Total infrastructure, property, plant and equipment	1,701,898	-	4,685	1,697,213

¹ Quoted prices (unadjusted) in active markets for identical assets.

² Inputs based on observable market data (either directly using prices or indirectly derived from prices).

³ Inputs not based on observable market data.

⁴ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of fair value of infrastructure assets for 2014-15

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

13. Non-current assets – Infrastructure, property plant and equipment (continued)**13(b) Reconciliation of Level 3 fair value movements**

	Specialised land \$'000	Infrastructure assets ¹ \$'000	Plant and equipment \$'000	Motor vehicles \$'000
2014-15				
Opening balance at 1 July 2014	29,762	1,508,424	4,863	3,234
Purchases (sales)	-	(805)	(291)	(581)
Transfers in (out) of Level 3	(11,143)	-	-	-
Developer contributed assets	-	19,079	-	-
Transfers	-	115,816	5,270	820
Gains or losses recognised in profit after income tax				
Depreciation	-	(29,396)	(3,673)	(817)
Impairment loss	-	-	-	-
Subtotal	-	(29,396)	(3,673)	(817)
Gains or losses recognised in Other Comprehensive Income				
Revaluation increment/(decrement)	2,229	25,089	-	-
Subtotal	2,229	25,089	-	-
Closing balance at 30 June 2015	20,848	1,638,207	6,169	2,656
2015-16				
Opening balance at 1 July 2015	20,848	1,638,207	6,169	2,656
Purchases (sales)	-	-	(101)	(314)
Transfers in (out) of Level 3	3,742	-	-	-
Developer contributed assets	-	34,640	-	-
Transfers	-	86,966	6,794	691
Gains or losses recognised in profit after income tax				
Depreciation	-	(33,102)	(4,207)	(794)
Impairment loss	(149)	-	-	-
Subtotal	(149)	(33,102)	(4,207)	(794)
Gains or losses recognised in Other Comprehensive Income				
Revaluation increment/(decrement)	4,894	(69,727)	-	-
Subtotal	4,894	(69,727)	-	-
Closing balance at 30 June 2016	29,335	1,656,984	8,655	2,239

¹ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of fair value of infrastructure assets for 2014-15.

During 2015-16 there was a transfer from Level 2 to Level 3 of \$3.7m of specialised land. The land was previously classified as non-specialised because previous valuations did not include a community service obligation (CSO), which is a significant unobservable input. When the land was revalued during 2015-16, CSOs were added to the land. As a result they were transferred from Level 2 to Level 3. During 2014-15 there was a transfer of specialised land associated with the corporation's former head office site in St Albans Road, Sunshine, which was transferred from Level 3 to Level 2 when reclassified as a non-current asset held for sale and the CSO associated with the land was removed.

It is City West Water's policy to transfer assets between fair value hierarchy levels at the end of the current reporting period.

13(c) Land and buildings

Non-specialised land is valued using the market based direct comparison method. Under this valuation method, assets are compared to comparable sales of comparable assets. As non-specialised land does not contain significant unobservable inputs these assets are classified as Level 2 fair value assets.

Specialised land is also valued using the direct comparison method, although it is adjusted for community service obligations (CSOs) to reflect the specialised nature of the land being valued. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible and financially viable. As adjustments for CSOs are considered to be significant unobservable inputs specialised land is classified as a Level 3 fair value asset.

All buildings held by City West Water are non-specialised in nature and classified as Level 2 fair value assets under the market based direct comparison approach.

An asset's fair value is determined with regard to the asset's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset or public announcements or commitments made in relation to the intended use of the asset.

An independent valuation of land and buildings was undertaken by a Certified Practising Valuer, Peter Molloy AAPI of Property Dynamics Pty Ltd, on behalf of the Valuer-General Victoria as at 30 June 2016.

The historical carrying amount of land and buildings was \$2.238m (2014-15 \$1.740m) and \$8.949m (2014-15 \$8.745m) respectively.

13(d) Infrastructure

Infrastructure is valued using the income approach (discounted cash flow method). This method calculates fair value by discounting estimated future cash flows to their present value and arriving at an enterprise value range. Net debt is deducted from the enterprise value range to obtain an equity value. The valuation of infrastructure assets is derived from the equity value after deducting all other assets and liabilities, and grossing up for deferred tax by applying a 30 per cent tax rate to estimate the value of tax benefits available to a hypothetical purchaser in resetting the tax cost base. In order to assess the reasonableness of the enterprise valuation, cross checks are performed by comparing the earnings before interest, tax and depreciation/amortisation (EBITA) and regulated asset value multiples implied by the value determined under the income approach against multiples implied by share prices at which comparable organisations are trading and recent transactions in comparable assets have occurred. Such an approach is often referred to as a market approach or a relative value approach. Judgement is applied in selecting the appropriate valuation within the enterprise value range.

The significant assumptions used in determining fair value at 30 June 2016 were:

- a nominal after tax discount rate range of 5.6 to 6.2 per cent (2014-15 5.8 to 6.4 per cent)
- a terminal growth rate of 3.25 per cent (2014-15 3.25 per cent)
- long term inflation of 2.5 per cent per annum (2014-15 2.5 per cent per annum)
- a ten year valuation model life.

The 2015-16 valuation resulted in a decrement of \$69.7m compared to an increment of \$25.1m in 2014-15.

The assumptions adopted in calculating fair value in this manner are considered to be significant unobservable inputs. As such, infrastructure is classified as a Level 3 fair value asset.

An asset's fair value is determined with regard to the asset's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset or public announcements or commitments made in relation to the intended use of the asset. A full valuation of City West Water's infrastructure assets was performed by KPMG as at 30 June 2016. The historical carrying amount of infrastructure was \$1,475.4m (2014-15 \$1,382.2m).

The rate used to discount free cash flows to their present value is based on assumptions that market participants would reasonably be expected to use in determining the fair value of the corporation after taking into account the market cost of debt and equity.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

13. Non-current assets – Infrastructure, property plant and equipment (continued)

The valuation of infrastructure assets has been determined in accordance with an independent valuation. KPMG was engaged by City West Water as experts for this purpose. KPMG has also been independently engaged by Melbourne Water, South East Water and Yarra Valley Water for the valuation of infrastructure assets. The valuation is at fair value based on the income approach (discounted cash flow method). For the purpose of the opinion provided, fair market value is defined as the amount at which an asset would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell.

City West Water considers this definition to be consistent with the definition of fair value as set out in AASB 13 *Fair Value Measurement* which defines fair value as the 'price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. Further, fair value as defined in AASB 13 is a concept of value which may or may not equal the 'purchase/sale price' that could be obtained if the asset were sold to a special purchaser in an actual transaction in the open market.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations which could only be enjoyed by the special purchaser.

The valuation of infrastructure assets is not premised on the existence of a special purchaser.

13(e) Plant, equipment, motor vehicles and leasehold improvements

Plant, equipment and motor vehicle are held at carrying value (depreciated replacement cost) which is considered to be fair value. When plant and equipment is specialised in use such that it is rarely sold other than as part of a going concern depreciated replacement cost is considered to be fair value. Unless there is market evidence that current replacement cost is significantly different to the original acquisition cost it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying value.

There were no changes in valuation techniques throughout the year to 30 June 2016.

13(f) Description of significant unobservable inputs to Level 3 valuations

2014-15

ASSET	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	SENSITIVITY OF THE INPUT TO FAIR VALUE
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	9% - 43% (23%)	A significant increase or decrease in a CSO adjustment would result in a significantly lower or higher fair value.
Infrastructure assets	Income approach (discounted cash flow) method	Discount rate	5.8% - 6.4% (6.1%)	A significant increase or decrease in estimated discount rate would result in a significantly lower or higher fair value.
		Terminal growth rate	3.25% (3.25%)	A significant increase or decrease in the terminal growth rate would result in a significantly lower or higher fair value.
		Inflation rate	2.5% (2.5%)	A significant increase or decrease in the inflation rate would result in a significantly higher or lower fair value.
		Useful life	4 - 100 years (78.1 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Plant and equipment	Depreciated replacement cost	Cost per unit	\$1,000 - \$469,000 (\$17,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	3 - 50 years (7.6 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Motor vehicles	Depreciated replacement cost	Cost per unit	\$2,000 - \$64,000 (\$33,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	5 - 15 years (5 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.

2015-16

ASSET	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	SENSITIVITY OF THE INPUT TO FAIR VALUE
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	9% - 40% (27%)	A significant increase or decrease in a CSO adjustment would result in a significantly lower or higher fair value.
Infrastructure assets	Income approach (discounted cash flow method)	Discount rate	5.6% - 6.2% (5.9%)	A significant increase or decrease in estimated discount rate would result in a significantly lower or higher fair value.
		Terminal growth rate	3.25% (3.25%)	A significant increase or decrease in the estimated terminal growth rate would result in a significantly lower or higher fair value.
		Inflation rate	2.5% (2.5%)	A significant increase or decrease in the inflation rate would result in a significantly higher or lower fair value.
		Useful life	4 - 100 years (77.8 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Plant and equipment	Depreciated replacement cost	Cost per unit	\$1,000 - \$469,000 (\$12,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	3 - 50 years (11.4 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Motor vehicles	Depreciated replacement cost	Cost per unit	\$2,000 - \$64,000 (\$32,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	5 - 15 years (5.5 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

13. Non-current assets – Infrastructure, property plant and equipment (continued)**13(g) Reconciliations**

Reconciliations of the carrying amounts of each class of non-current assets at the beginning and end of the current and prior financial years are set out below.

	Specialised land \$'000	Non- specialised land \$'000	Non- specialised buildings \$'000	Infrastructure assets ¹ \$'000	Plant and equipment \$'000	Motor vehicles \$,000	Leasehold improvements \$,000	Works in progress \$'000	Total \$'000
2014-15									
Opening balance at 1 July 2014	29,762	3,742	5,809	1,508,424	4,863	3,234	-	256,531	1,812,365
Additions	-	-	-	-	-	-	-	84,405	84,405
Developer contributed assets	-	-	-	19,079	-	-	-	(19,079)	-
Transfers	-	-	1,848	115,816	5,270	820	6,040	(130,551)	(757)
Revaluation (decrement)/ increment taken to other comprehensive income ¹	2,229	-	-	25,089	-	-	-	-	27,318
Disposals	-	-	(34)	(805)	(291)	(581)	-	(30)	(1,741)
Depreciation expense	-	-	(434)	(29,396)	(3,673)	(817)	(278)	-	(34,598)
Transfers to assets held for sale	(11,143)	-	(4,181)	-	-	-	-	-	(15,324)
Closing balance at 30 June 2015	20,848	3,742	3,008	1,638,207	6,169	2,656	5,762	191,276	1,871,668
2015-16									
Opening balance at 1 July 2015	20,848	3,742	3,008	1,638,207	6,169	2,656	5,762	191,276	1,871,668
Additions	-	-	-	-	-	-	-	110,916	110,916
Developer contributed assets	-	-	-	34,640	-	-	-	(34,640)	-
Transfers	3,742	(3,245)	502	86,966	6,794	691	198	(96,164)	(516)
Revaluation (decrement)/ increment taken to other comprehensive income	4,894	-	802	(69,727)	-	-	-	-	(64,031)
Revaluation (decrement)/ increment taken to profit or loss	(149)	-	-	-	-	-	-	-	(149)
Disposals	-	-	(18)	-	(101)	(314)	-	(329)	(762)
Depreciation expense	-	-	(106)	(33,102)	(4,207)	(794)	(397)	-	(38,606)
Closing balance at 30 June 2016	29,335	497	4,188	1,656,984	8,655	2,239	5,563	171,059	1,878,520

¹ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of fair value of infrastructure assets for 2014-15.

14. Non-current assets - Intangible assets

	30 June 2016 \$'000	30 June 2015 \$'000
Software at cost	89,132	86,755
less accumulated amortisation	(47,718)	(38,294)
Total software	41,414	48,461
Water entitlements at cost	96,916	96,916
Total water entitlements	96,916	96,916
Other intangible assets at cost	765	757
less accumulated amortisation	(75)	-
Total other intangible assets	690	757
Works in progress at cost	32,735	31,441
Total intangible assets	171,755	177,575

Software

Software assets are initially recognised at cost and subsequently recognised at cost less accumulated amortisation and impairment losses (if applicable).

Water entitlements

Water entitlements have an indefinite useful life as they are held in perpetuity. As such they are not amortised. Instead they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Testing at balance date found no indication of impairment of water entitlements.

Other intangible assets

Other intangible assets are initially recognised at cost and subsequently recognised at cost less accumulated amortisation and impairment losses (if applicable).

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

14. Non-current assets - Intangible assets (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the current and prior financial years are set out below.

	Software \$'000	Water entitlements ¹ \$'000	Other intangibles \$'000	Works in progress \$'000	Total \$'000
2014-15					
Opening balance at 1 July 2014	44,038	96,916	-	31,391	172,345
Additions	-	-	-	11,939	11,939
Transfers	11,889	-	757	(11,889)	757
Disposals	(82)	-	-	-	(82)
Amortisation expense	(7,384)	-	-	-	(7,384)
Closing balance at 30 June 2015	48,461	96,916	757	31,441	177,575
2015-16					
Opening balance at 1 July 2015	48,461	96,916	757	31,441	177,575
Additions	-	-	-	11,969	11,969
Transfers	1,608	-	8	(1,100)	516
Disposals ²	-	-	-	(9,575)	(9,575)
Amortisation expense	(8,655)	-	(75)	-	(8,730)
Closing balance at 30 June 2016	41,414	96,916	690	32,735	171,755

¹ Water entitlements represents City West Water's bulk water entitlements held in Northern Victoria as a result of its investment in Stage 1 of the Goulburn-Murray Water Connections Project. The project was originally established in 2007 as the Northern Victoria Irrigation Renewal Project (NVIRP). On 1 July 2012 NVIRP was merged with Goulburn-Murray Water to form the Goulburn-Murray Water Connections Project. The metropolitan water retailers contributed \$300m to the \$1 billion Stage 1 investment. Stage 1 will generate long term average annual water savings of 225GL which will be shared equally between irrigators, the metropolitan water retailers and the environment. The carrying amount at balance date represents City West Water's share of contributions, net of the share of contributions from four regional urban water corporations with access to Melbourne's pooled entitlement.

² This disposal relates to the impairment of intangible assets associated with the Field Mobility Solution of the Arrow Program.

15. Current liabilities - Payables

	30 June 2016 \$'000	30 June 2015 \$'000
Trade - contractual	36,186	32,819
Other - contractual	18,247	17,967
Total current liabilities - contractual payables	54,433	50,786
Trade - statutory	514	470
Other - statutory	3,263	3,059
Total current liabilities - statutory payables	3,777	3,529
Total current liabilities - Payables	58,210	54,315

In line with City West Water's terms of trade, all payables are expected to be settled within 30 days.

16. Current liabilities - Borrowings

Treasury Corporation of Victoria	8,200	64,200
Total current liabilities - Borrowings	8,200	64,200

Borrowings comprises both fixed and floating rate securities (refer Note 32).

No security has been provided in respect of any existing liability.

All of City West Water's borrowings are made through the Treasury Corporation of Victoria and are Government guaranteed pursuant to the *Borrowing and Investment Powers Act 1987*. City West Water paid an administration fee of \$1,226,500 (2014-15 \$1,186,700) for this facility.

17. Current liabilities - Current tax liability

Current tax liability	8,579	3,454
Total current liabilities - Current tax liability	8,579	3,454

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

18. Current liabilities - Other provisions

	30 June 2016 \$'000	30 June 2015 \$'000
Other provisions	3,821	2,401
Total current liabilities - Other provisions	3,821	2,401
Other provisions are made up of the following:		
Insurance provision	523	583
Biosolids management and desludging of ATP lagoon	200	200
Relocation allowance	-	10
Other sundry provisions	3,098	1,608
Total current liabilities - Other provisions	3,821	2,401

Movement in other provisions

	Insurance \$'000	Biosolids/ desludge \$'000	Relocation allowance \$'000	Other \$'000	Total \$'000
Carrying amount as at 1 July 2015	583	200	10	1,608	2,401
Additional provisions recognised	699	-	(9)	1,638	2,328
Payments/other sacrifices of economic benefit	(759)	-	(1)	(148)	(908)
Carrying amount as at 30 June 2016	523	200	-	3,098	3,821

19. Current liabilities - Unearned income

	30 June 2016 \$'000	30 June 2015 \$'000
Unearned income	2,321	4,235
Total current liabilities - Unearned income	2,321	4,235

20. Current liabilities - Other

Advances and deposits	4,948	4,238
Deferred developer reimbursements	6,167	6,802
Other	407	373
Total current liabilities - Other	11,522	11,413

21. Non-current liabilities - Borrowings

	30 June 2016 \$'000	30 June 2015 \$'000
Treasury Corporation of Victoria	1,082,500	992,500
Total non-current liabilities - Borrowings	1,082,500	992,500

Borrowings comprises both fixed and floating rate securities (refer Note 32).

22. Equity

Contributed equity	211,008	217,608
Physical asset revaluation surplus ¹	157,898	191,771
Retained profits	373,811	330,523
Total equity	742,717	739,902

¹ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of fair value of infrastructure assets for 2014-15. A subsequent adjustment was made to physical asset revaluation surplus as a result of this.

(a) Contributed equity

Contributed equity represents an amount equivalent to the net assets transferred to City West Water Limited from Melbourne Water Corporation on the formation of City West Water Limited on 1 January 1995 plus the amount of paid up equity reclassified as contributed equity upon transition of City West Water Limited to a statutory authority known as City West Water Corporation on 1 July 2012 less any capital repatriations to the owner of the corporation.

Contributed equity at the beginning of the financial year	217,608	217,608
Capital repatriation	(6,600)	-
Contributed equity at the end of the financial year	211,008	217,608

(b) Physical asset revaluation surplus

Physical asset revaluation surplus at the beginning of the financial year	191,771	203,619
Infrastructure assets revaluation, net of tax ¹	(36,931)	(13,408)
Land revaluation, net of tax	13,082	1,560
Buildings revaluation, net of tax	562	-
Transfer to retained profits on derecognition of assets	(10,586)	-
Physical asset revaluation surplus at the end of the financial year	157,898	191,771

¹ The corporation has corrected an error that as outlined in Note 1(a) has caused a restatement of fair value of infrastructure assets for 2014-15. A subsequent adjustment was made to physical asset revaluation surplus as a result of this.

(c) Retained profits

Retained profits at the beginning of the financial year	330,523	310,137
Profit after income tax expense	43,789	36,438
Transfer from physical asset revaluation surplus on derecognition of assets	10,586	-
Final dividend paid during 2015-16 in respect of 2014-15 (Note 7)	(9,800)	-
Interim dividend paid during 2014-15 in respect of 2014-15 (Note 7)	-	(4,200)
Final dividend paid during 2014-15 in respect of 2013-14 (Note 7)	-	(11,400)
Actuarial gain/(loss) on defined benefit superannuation plan (net of tax) (Note 27(c))	(1,287)	(452)
Retained profits at the end of the financial year	373,811	330,523

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

23. Responsible persons and executives

The relevant Minister and directors of City West Water are deemed to be responsible persons by Ministerial Direction pursuant to the provisions of the *Financial Management Act 1994*.

Responsible persons**Persons who held the position of responsible person at any time during the financial year were as follows:**

The Hon. Lisa Neville MP	Minister for Environment, Climate Change and Water	1 July 2015 - 22 May 2016
The Hon. Lisa Neville MP	Minister for Water	23 May 2016 – 30 June 2016
Mr David Middleton	Chairman	1 October 2015 - 30 June 2016
Ms Anne Barker	Managing Director	1 July 2015 - 31 March 2016
Mr David Ryan	Managing Director	14 June 2016 - 30 June 2016
Mr Philip Clark	Director	1 July 2015 - 30 June 2016
Ms Mary-Beth Bauer	Director	1 October 2015 - 30 June 2016
Dr Bruce Cohen	Director	1 October 2015 - 30 June 2016
Mr Bill Jaboor	Director	1 October 2015 - 30 June 2016
Ms Kim McAliney	Director	1 October 2015 - 30 June 2016
Ms Elizabeth Parkin	Director	1 October 2015 - 30 June 2016
Ms Constantina Dertimanis	Director	28 April 2016 - 30 June 2016
The Hon. Alan Stockdale	Chairman	1 July 2015 - 30 September 2015
Ms Debra Goodin	Director	1 July 2015 - 30 September 2015
Ms Vivienne Nguyen	Director	1 July 2015 - 30 September 2015
Ms Jan Begg	Director	1 July 2015 - 30 September 2015
Dr Peter McKeown	Director	1 July 2015 - 30 September 2015
Ms Fiona Pearse	Director	1 July 2015 - 30 September 2015

Mr Sean Crees was acting Managing Director for the period 1 April 2016 - 13 June 2016. Remuneration for Sean is included in the executive remuneration table on page 78.

Persons who held the position of responsible person at any time during the prior financial year were as follows:

The Hon. Lisa Neville MP	Minister for Environment, Climate Change and Water	4 December 2014 - 30 June 2015
The Hon. Peter Walsh MLA	Minister for Water	1 July 2014 - 3 December 2014
The Hon. Alan Stockdale	Chairman	1 July 2014 - 30 June 2015
Ms Anne Barker	Managing Director	1 July 2014 - 30 June 2015
Ms Debra Goodin	Director	1 July 2014 - 30 June 2015
Ms Vivienne Nguyen	Director	1 July 2014 - 30 June 2015
Ms Jan Begg	Director	1 July 2014 - 30 June 2015
Dr Peter McKeown	Director	1 July 2014 - 30 June 2015
Ms Fiona Pearse	Director	1 July 2014 - 30 June 2015
Mr Philip Clark	Director	1 July 2014 - 30 June 2015

Amounts relating to the ministers are reported in the financial statements of the Department of Premier and Cabinet..

Remuneration received or receivable by responsible persons in connection with the management of City West Water Corporation during the current and previous reporting periods is reported in the table below.

			30 June 2016 No.	30 June 2015 No.
\$	\$			
	0 - 9,999		1	-
	10,000 - 19,999		6	-
	20,000 - 29,999		1	-
	30,000 - 39,999		5	-
	40,000 - 49,999		1	6
	60,000 - 69,999		1	-
	90,000 - 99,999		-	1
	400,000 - 409,999		1	1
Total			16	8
			\$	\$
Total amount (whole dollars)			808,490	794,139

Other related transactions and loans requiring disclosure under the directions of the Minister for Finance are reported at Note 28 of this report.

Executives

The number of executive officers other than responsible persons (as defined in FRD 21B *Responsible Person and Executive Officer Disclosures in the Financial Report*) and their total remuneration during the reporting period and the prior period are shown in the first two columns of the table overleaf in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. Total annualised employee equivalent provides a measure of full time executive officers over the reporting period.

Several factors have affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and renegotiated and a number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts and achievement of bonus KPIs. This had an impact on total remuneration figures due to the inclusion of annual leave, long service leave and other payments.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

23. Responsible persons and executives (continued)

		Total remuneration		Base remuneration	
		30 June 2016 No.	30 June 2015 No.	30 June 2016 No.	30 June 2015 No.
\$	\$				
110,000	- 119,999	-	-	1	-
120,000	- 129,999	-	1	-	2
130,000	- 139,999	-	-	2	4
140,000	- 149,999	-	-	5	3
150,000	- 159,999	-	-	2	2
160,000	- 169,999	-	3	1	-
170,000	- 179,999	4	2	1	2
180,000	- 189,999	1	-	1	1
190,000	- 199,999	1	4	2	-
200,000	- 209,999	5	1	-	1
210,000	- 219,999	1	-	3	2
220,000	- 229,999	1	-	-	-
230,000	- 239,999	-	2	1	2
240,000	- 249,999	1	-	-	-
250,000	- 259,999	-	1	-	-
260,000	- 269,999	-	2	-	-
270,000	- 279,999	3	1	-	-
280,000	- 289,999	-	1	-	-
290,000	- 299,999	-	1	-	-
300,000	- 309,999	2	-	-	-
		19	19	19	19
	Total annualised employee equivalent ¹	18.9	18.2	18.9	18.2
		\$	\$	\$	\$
	Total amount (whole dollars)	4,224,574	4,072,362	3,217,639	3,177,043

¹ Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Key management personnel compensation

Key management personnel (as defined in AASB 124 *Related Party Disclosures*) include the Managing Director and executive officers who have the authority and responsibility for planning, directing and controlling the activities of the corporation either directly or indirectly during the year.

	30 June 2016 \$'000	30 June 2015 \$'000
Short term employment benefits	1,945	2,079
Post employment benefits	116	121
Other long term benefits ¹	72	56
Termination benefits	164	-
Total	2,297	2,256
Total employees (no.)	9	8

¹ Other long term benefits represents long service leave.

Payments to other personnel

During the current reporting period and the previous reporting period City West Water had no other personnel by way of contractors charged with significant management responsibilities.

24. Remuneration of auditor

Amounts received, or due and receivable by the auditor of City West Water for the audit of the financial report:

	30 June 2016 \$'000	30 June 2015 \$'000
Victorian Auditor-General's Office	135	146
Total auditor's remuneration	135	146

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

25. Contingent assets and liabilities

Quantifiable contingent assets

In the ordinary course of business developers often provide a commitment to City West Water to construct water supply and sewerage assets. These assets are constructed within an agreed timeframe and upon completion are transferred to City West Water at no charge.

Currently there is approximately \$15.234m (2014-15 \$9.861m) of water supply assets under construction and a further \$14.388m (2014-15 \$9.950m) of water supply assets committed to for which construction is yet to begin. The value of sewerage assets under construction is approximately \$21.609m (2014-15 \$11.905m) with a further \$26.649m (2014-15 \$16.519m) committed to for which construction is yet to begin. Contingent upon the completion of these assets they will be transferred to City West Water, which will maintain them in perpetuity.

Quantifiable contingent liabilities

Contingent on the completion of the above assets City West Water has a liability to reimburse developers an estimated \$9.914m (2014-15 \$7.620m) for water supply assets and \$27.715m (2014-15 \$14.356m) for sewerage assets for additional works constructed at City West Water's request. These reimbursements will occur either immediately on the completion of the assets or be deferred for an agreed period in accordance with the conditions of the agreement between City West Water and the developer.

This reimbursement together with future investment for urban growth by City West Water or developers will be recovered through a combination of new customer contributions plus service and usage charges from all customers. This is consistent with the Essential Services Commission's final determination for water and sewerage prices in June 2013 (for the 2016-17 year).

Non-quantifiable contingent assets and liabilities

City West Water has legal claims pending arising out of a small number of contractual disputes associated with its capital program. Due to the uncertainty inherent in litigation an accurate assessment of any outcome is not possible. City West Water is of the view that further disclosure of these disputes may prejudice the position of the corporation.

26. Commitments for expenditure

(a) Capital commitments

Total capital expenditure (inclusive of GST) contracted at balance date but not provided for on the Balance Sheet:

	30 June 2016 \$'000	30 June 2015 \$'000
Not later than one year	6,865	11,508
Later than one year but not later than five years	133	-
Total capital commitments	6,998	11,508

(b) Intangible assets commitments

Total intangible assets expenditure (inclusive of GST) contracted for at balance date but not provided for on the Balance Sheet:

Not later than one year	-	4
Total intangible commitments	-	4

(c) Lease commitments

Total non-cancellable operating lease expenditure (inclusive of GST) contracted for at balance date but not provided for on the Balance Sheet:

Not later than one year	3,970	3,837
Later than one year but not later than five years	17,298	16,709
Later than five years	66,760	68,468
Total non-cancellable operating lease commitments	88,028	89,014

(d) Other commitments ¹

Other expenditure commitments (inclusive of GST) at balance date not provided for on the Balance Sheet:

Not later than one year	18,695	18,913
Later than one year but not later than five years	71,477	66
Total other commitments	90,172	18,979

¹ Contained within other commitments:

Smart Water Fund

The Smart Water Fund is jointly administered via an agreement between City West Water, Yarra Valley Water Melbourne Water and the Victorian Government with the objective of delivering collaborative research in water related fields. City West Water has an equal interest in the arrangement with the other organisations. The total contributions paid to the Smart Water Fund to date amount to \$8.420m (2014-15 \$8.170m). At balance date City West Water's share of unspent contributions to the fund amounts to \$0.116m (2014-15 \$0.040m) (Refer Note 10). City West Water expects to contribute a further \$0.132m (2014-15 \$0.416m) over the next year in order to fund research and research related activities. The fund is expected to wind up in 2016-17.

Environmental Contributions

Consistent with the requirements of the *Water Industry Act 1994* City West Water is committed to pay an Environmental Contribution of \$18.563m during the next two years to the Department of Environment, Land, Water and Planning followed by a commitment to pay a further \$26.457m for the following two years.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

27. Provision for employee benefits**(a) Employee benefits and related oncost liabilities**

	30 June 2016 \$'000	30 June 2015 \$'000
Current		
Annual leave unconditional and expected to be paid within 12 months	2,489	2,273
Annual leave unconditional and expected to be paid after 12 months	426	344
Long service leave unconditional and expected to be paid within 12 months	662	516
Long service leave unconditional and expected to be paid after 12 months	6,952	5,936
Other employee benefits	2,520	3,209
Provision for employee benefits - current	13,049	12,278
Non-current		
Long service leave conditional	2,046	2,036
Provision for employee benefits - non-current	2,046	2,036
Total employee benefits and related oncost liabilities	15,095	14,314

(b) Superannuation

All City West Water employees are members of either City West Water's defined benefit fund or an approved accumulation fund of their choice. Defined benefit fund members receive lump sum benefits on retirement, death, disablement or withdrawal from the fund. Some defined benefit members are also eligible for pension benefits. All new members receive accumulation only benefits.

The majority of employees of City West Water are members of either the Equipsuper fund or the Vision Super fund. All new City West Water employees who are not already members of the Equipsuper defined benefit fund must join an accumulation fund.

City West Water contributed a total of \$3.9m (2014-15 \$3.7m) to various accumulation funds during the year.

(c) Defined Benefit Superannuation

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions.

The plan's trustee is responsible for the governance of the plan. The trustee has a legal obligation to act solely in the best interests of plan beneficiaries. The trustee has the following roles:

- administration of the plan and payment to the beneficiaries from plan assets when required
- management and investment of the plan assets, and
- compliance with superannuation law and other applicable regulations.

(c) Defined Benefit Superannuation (continued)

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

There are a number of risks to which the plan exposes the corporation. The more significant risks relating to the defined benefit plan are:

- investment risk - the risk that investment returns will be lower than assumed and the corporation will need to increase contributions to offset this shortfall
- salary growth risk - the risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions
- legislative risk - the risk that legislative changes could be made which increase the cost of providing the defined benefits, and
- pension risk - the risk is firstly that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period. Secondly, that a greater proportion of eligible members will elect to take a pension benefit, which is generally more valuable than the corresponding lump sum benefit.

The plan assets are invested by the trustee in a pool of assets with plans providing defined benefits for other employers. The assets have a benchmark weighting to equities of 50 per cent and therefore the plan has a significant concentration of equity market risk. However, within the equity investments the allocation both globally and across sectors is diversified.

There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

When actuarial gains or losses are made by the defined benefit fund these amounts are recognised in the Statement of Profit or Loss and Other Comprehensive Income as per AASB 19 Employee Benefits (refer Note 1(y)).

	30 June 2016 \$'000	30 June 2015 \$'000
Reconciliation of the net defined benefit liability/(asset)		
Net defined benefit liability/(asset) at the start of the year	(2,286)	(3,575)
Current service cost	902	879
Past service cost/curtailments	-	-
(Gain)/loss on settlements	-	-
Net interest	(63)	(126)
Actuarial return on plan assets less interest income	226	(1,876)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	2,647	2,008
Actuarial (gains)/losses arising from liability experience	(1,034)	513
Adjustment for effect of asset ceiling	-	-
Employer contributions	(34)	(109)
Net defined benefit liability/(asset) at end of year	358	(2,286)

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

27. Provision for employee benefits (continued)**(c) Defined Benefit Superannuation (continued)**

	30 June 2016 \$'000	30 June 2015 \$'000
Reconciliation of the fair value of plan assets		
Fair value of plan assets at beginning of the year	30,799	31,178
Interest income	933	1,155
Actual return on plan assets less interest income	(226)	1,876
Employer contributions	34	109
Contributions by plan participants	300	290
Benefits paid	(1,782)	(3,620)
Taxes, premiums and expenses paid	(180)	(189)
Transfers in	-	-
Contributions to accumulation section	-	-
Settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of the year	29,878	30,799
Reconciliation of the defined benefit obligation		
Present value of defined benefit obligation at beginning of the year	28,513	27,603
Current service cost	902	879
Past service cost/curtailments	-	-
Gain/loss on settlements	-	-
Interest expense	870	1,029
Contributions by plan participants	300	290
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	2,647	2,008
Actuarial (gains)/losses arising from liability experience	(1,034)	513
Benefits paid	(1,782)	(3,620)
Taxes, premiums and expenses paid	(180)	(189)
Transfers in	-	-
Contributions to accumulation section	-	-
Settlements	-	-
Exchange rate changes	-	-
Present value of defined benefit obligation at end of the year	30,236	28,513

The asset ceiling is the present value of any economic benefits available to City West Water in the form of refunds from the plan or reductions in future contributions to the plan. The asset ceiling has no impact on the defined benefit liability/(asset).

(c) Defined Benefit Superannuation (continued)

	30 June 2016 \$'000	30 June 2015 \$'000
Expenses recognised in profit or loss		
Service cost	902	879
Net interest	(63)	(126)
Total defined benefit superannuation expense (Note 4)	839	753
Actuarial gain/(loss) recognised in other comprehensive income		
Actuarial gain/(loss) on defined benefit superannuation plan	(1,613)	(2,521)
Actuarial return on plan assets less interest income	(226)	1,876
Actuarial gain/(loss) on defined benefit superannuation plan (before tax)	(1,839)	(645)
Actuarial gain/(loss) on defined benefit superannuation plan (after tax) (Note 22(c))	(1,287)	(452)

Fair value of plan assets	Total \$'000	Level 1 ¹ \$'000	Level 2 ² \$'000	Level 3 ³ \$'000
As at 30 June 2016				
Cash and cash equivalents	-	-	-	-
Equity instruments	-	-	-	-
Debt instruments	-	-	-	-
Derivatives	-	-	-	-
Real estate	-	-	-	-
Investment funds	29,878	-	29,878	-
Asset backed securities	-	-	-	-
Structured debt	-	-	-	-
Total	29,878	-	29,878	-

¹ Quoted prices (unadjusted) in active markets for identical assets.

² Inputs based on observable market data (either directly using prices or indirectly derived from prices).

³ Inputs not based on observable market data.

	30 June 2016	30 June 2015
The percentage invested in each asset class at reporting date is:		
Australian equity	30%	29%
International equity	21%	25%
Fixed income	13%	11%
Property	9%	9%
Growth alternatives	9%	9%
Defensive alternatives	11%	9%
Cash	7%	8%
Total	100%	100%

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

27. Provision for employee benefits (continued)

The fair value of plan assets includes no amounts relating to:

- any of City West Water's own financial instruments
- any property occupied by, or other assets used by City West Water.

Significant actuarial assumptions at reporting date:

	30 June 2016	30 June 2015
Assumptions to determine defined benefit cost		
Discount rate	3.1% p.a.	3.8% p.a.
Expected salary increase rate	4.0% p.a.	4.0% p.a.
Expected pension increase rate	n/a	n/a
Assumptions to determine defined benefit obligation		
Discount rate	2.2% p.a.	3.1% p.a.
Expected salary increase rate	4.0% p.a.	4.0% p.a.
Expected pension increase rate	nil	nil

Sensitivity analysis

The defined benefit obligation as at 30 June 2016 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to salary increase rate sensitivity.

Scenario A: 0.5 per cent p.a. lower discount rate assumption.

Scenario B: 0.5 per cent p.a. higher discount rate assumption.

Scenario C: 0.5 per cent p.a. lower salary increase rate assumption.

Scenario D: 0.5 per cent p.a. higher salary increase rate assumption.

	BASE CASE	SCENARIO A	SCENARIO B	SCENARIO C	SCENARIO D
		-0.5% p.a. discount rate	+0.5% p.a. discount rate	-0.5% p.a. salary increase rate	+0.5% p.a. salary increase rate
Discount rate	2.2% p.a.	1.7% p.a.	2.7% p.a.	2.2% p.a.	2.2% p.a.
Salary increase rate	4.0% p.a.	4.0% p.a.	4.0% p.a.	3.5% p.a.	4.5% p.a.
Defined benefit obligation ¹ (\$'000)	30,236	31,873	28,758	28,864	31,686

¹ includes contributions tax provision.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above while retaining all other assumptions.

No asset and liability matching strategies have been adopted by the plan.

The Equipsuper Contribution and Funding Policy provides for a review of the financial position of the plan each six months as at 30 June and 31 December, with the contribution rate comprising a long term contribution rate and an adjustment to meet the financing objective of a funding ratio of 105 per cent.

The funding ratio is the ratio of assets to accrued liabilities, being the greater of vested benefits and the present value of past membership benefits.

(c) Defined Benefit Superannuation (continued)

Where the funding ratio is greater than 100 per cent the financing objective is to achieve a funding ratio of 105 per cent over five years. Where the funding ratio is less than 100 per cent the primary financing objective is to achieve 100 per cent over three years and 105 per cent over five years.

In the most recent review of the financial position as at 31 December 2015 Equisuper recommended a contribution rate of nil. The next review of the financial position and contribution rate is due as at 30 June 2016.

City West Water continues to contribute salary sacrifice contributions at the required rates for accumulation members.

Expected contributions

Expected employer contributions for the year ending 30 June 2017 are \$0 (30 June 2016 \$0).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2016 is nine years (30 June 2015, nine years).

Expected benefit payments for the financial year ending on:

	(\$'000)
30 June 2017	1,459
30 June 2018	1,518
30 June 2019	1,819
30 June 2020	2,019
30 June 2021	2,148
Following five years	12,618

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

28. Related party disclosure

Responsible Minister

The Minister responsible for City West Water for the period 1 July 2015 to 30 June 2016 was the Hon. Lisa Neville MP. The Hon Lisa Neville was the Minister for Environment, Climate Change and Water from 1 July 2015 to 22 May 2016 and Minister for Water from 23 May 2016 to 30 June 2016.

Directors

The names of persons who were Directors of City West Water at any time during the current or previous financial years are as follows: D. Middleton, D. Ryan, A. Barker, P. Clark, M. Bauer, B. Cohen, B. Jaboor, K. McAliney, E. Parkin, C. Dertimanis, A. Stockdale, D. Goodin, V. Nguyen, J. Begg, P. McKeown and F. Pearse.

Remuneration and retirement benefits

Information regarding the remuneration of directors is reported at Note 23 of this report.

Transactions with directors and Director related entities

Water and sewerage services were provided to directors and Director related entities for properties within City West Water's service area under normal commercial terms and conditions.

Mr David Middleton is a Director of CH2MHill Australia Pty Ltd. During the year City West Water paid CH2MHill \$666,986 (2014-15 \$890,208) for services relating to works at the corporation's treatment plants.

Mr David Ryan is the Vice President of the Executive Council of the Institute of Water Administration (IWA). During the year the corporation paid IWA \$4,515 (2014-15 \$5,020) for subscriptions and conferences.

Ms Mary-Beth Bauer is a Director of the Box Hill Institute. During the year City West Water paid \$0 (2014-15 \$17,825) to Box Hill Institute for course fees.

Ms Elizabeth Parkin is a member of the Audit and Risk Committee of the Department of Premier and Cabinet. During the year City West Water paid the department \$15,820 (2014-15 \$11,000) with a further \$11,000 (2014-15 \$10,000) outstanding for training programs and sponsorships.

The Hon. Alan Stockdale is a strategic adviser to the CEO of Metro Trains Melbourne Pty Ltd. During the year City West Water paid \$418 (2014-15 \$4,400) to Metro Trains for site inspections. In addition City West Water received \$50 (2014-15 \$23,067) from Metro Trains Melbourne in developer related revenue.

The Hon. Alan Stockdale is a consultant to Maddocks Lawyers. During the year City West Water paid \$476,151 (2014-15 \$0) to Maddocks for professional fees.

Ms Anne Barker is Chair of the not-for-profit organisation Whitelion Incorporated and Open Family Australia Limited. During the year City West Water paid \$3,400 (2014-15 \$14,200) to Whitelion in donations and for services rendered.

Ms Anne Barker was until November 2015 a Director of the Water Services Association of Australia (WSAA). During the year City West Water paid \$294,399 (2014-15 \$222,304) to WSAA with a further \$51,492 (2014-15 \$0) outstanding and payable for course fees and membership fees. In addition, the corporation received \$103,191 (2014-15 \$0) for course fees.

Ms Anne Barker is a member of the advisory board of the University of Melbourne - Melbourne Sustainable Society Institute. During the year City West Water received \$4,352 (2014-15 \$0) from the University of Melbourne in developer related fees.

Ms Anne Barker was Chair of the Smart Water Fund until the wind down of the fund commenced on 31 January 2014. During the year, City West Water received \$10,018 (2014-15 \$107,325) from the Smart Water Fund for office rent and incidentals, and paid \$250,000 in contribution fees to the Smart Water Fund (2014-15 \$0). A contribution fee of \$220,000 was paid to Melbourne Water during 2014-15 for the Smart Water Fund.

Ms Jan Begg is a member of the Monash University Business and Management Department Advisory Board. In addition Dr Peter McKeown is a Senior Fellow of the Law Faculty of Monash University. During the year City West Water paid \$38,500 (2014-15 \$55,000) to Monash University as contributions to various studies being undertaken by the university.

Ms Jan Begg is an independent member of the Department of Education and Training Portfolio Audit and Risk Committee. During the year City West Water paid \$0 (2014-15 \$17,000) to the department in developer reimbursements for the Suzanne Corey High School, Werribee.

Ms Jan Begg is a member of the Melbourne Business School. During the year City West Water paid \$0 (2014-15 \$4,800) to the Melbourne Business School for attendance at courses.

Ms Debra Goodin was until 30 June 2013 the Chief Operating Officer of Spiire Australia Pty Ltd (a fully owned subsidiary of Downer EDI Limited). Ms Goodin was contracted to Downer EDI Limited through her management consulting business until December 2014.

During the year City West Water paid \$48,950 (2014-15 \$1,185) to Spiire with a further \$0 (2014-15 \$26,675) outstanding and payable for asset verification services. In addition, City West Water received \$7,581 (2014-15 \$4,556) for application, acceptance and connection fees.

During the year City West Water paid Downer EDI Engineering Electrical Pty Ltd \$564 (2014-15 \$627) for service and calibration of gas detection equipment.

During the year City West Water paid Downer EDI Works Pty Ltd \$5,379,364 (2014-15 \$9,674,066) with a further \$6,061 (2014-15 \$40,850) outstanding and payable for design and construction of water main renewals. In addition, City West Water received \$1,896 (2014-15 \$986) with a further \$0 (2014-15 \$1,896) outstanding and receivable from Downer EDI Works Pty Ltd for chargeable works.

Dr Peter McKeown has a family member who is a senior consultant for Jacobs Group (Australia). During the year City West Water paid \$133,122 (2014-15 \$327,096) to Jacobs Group for electrolysis maintenance with a further \$122,823 (2014-15 \$37,084) outstanding and payable.

Ms Vivienne Nguyen is a member of the Vietnamese Community in Australia (Vic) Inc. During the year the City West Water paid \$4,400 (2014-15 \$0) in sponsorships to the organisation.

Some directors make a contribution to Directors' Liability Insurance.

There were no further transactions either with directors or Director related entities during the reporting period other than payment for services referred to in Note 23 of this report.

Directors with related party interests are not involved in any relevant decision making processes.

Victorian Government

City West Water is subject to the provisions of the *Water Act 1989* and the *Water Industry Act 1994*. City West Water operates under specific legislation and is subject to independent economic regulation. City West Water operates under a Board of Directors appointed by the Victorian Government, and makes income tax equivalent payments and pays dividends to the Victorian Government.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

28. Related party disclosure (continued)**Department of Environment, Land, Water and Planning**

City West Water bills and collects parks charges on behalf of the Department of Environment, Land, Water and Planning (DELWP). Due to the nature of the agent/principal relationship between City West Water and DELWP City West Water does not recognise these amounts in its accounts. City West Water recognises an administration fee collected from DELWP relating to the billing and collection of parks charges as revenue.

City West Water makes various other payments to and receives other payments from DELWP which are recognised as revenue and expenses.

	30 June 2016 \$'000	30 June 2015 \$'000
Payments		
Environmental Contribution	18,563	18,563
Parks Charge collected on behalf of DELWP	43,381	41,540
Other	68	603
Receipts		
Billings and collection fee	2,097	1,864
Water conservation rebates	387	553
Administration fee on water conservation rebates	2	2
Retrofit of dual flush toilets funding	19	89
Water Efficiency Support Program	165	32
Other	2,150	100
Payables		
Parks Charge collected on behalf of DELWP	45	4
Other	11	-
Receivables		
Billings and collection fee	163	263
Water conservation rebates	-	94
Other	-	2,000

Department of Treasury and Finance

The Department of Treasury and Finance, as State representative, monitors the implementation of City West Water's Corporate Plan in consultation with the Department of Environment, Land, Water and Planning.

	30 June 2016 \$'000	30 June 2015 \$'000
Payments		
Dividend	9,800	15,600
Capital repatriation	6,600	-
Income tax equivalent	16,310	14,142
Financial Accommodation Levy	12,844	11,963
Licence fee	285	369
Payables		
Income tax equivalent	8,579	3,454
Financial Accommodation Levy	3,263	3,059

Treasury Corporation of Victoria

As required by the State Government pursuant to the *Borrowing and Investment Powers Act 1987*, City West Water's borrowings are sourced solely from the Treasury Corporation of Victoria.

Payments		
Finance costs	48,782	49,192
Administration fees	1,227	1,187
Advisory services	-	6
Receipts		
Net borrowings during the year	34,000	33,200
Interest received	7	-
Payables		
Finance costs	17,798	17,540
Administration fees	450	426
Total borrowings	1,090,700	1,056,700
Receivables		
Interest receivable	3	1

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

28. Related party disclosure (continued)**Melbourne Water Corporation**

City West Water sources all its drinking water from Melbourne Water Corporation and the majority of its sewage is treated by Melbourne Water Corporation at the Western Treatment Plant.

City West Water bills and collects drainage charges as an agent for Melbourne Water. Due to the nature of the agent/principal relationship between City West Water and Melbourne Water, City West Water does not recognise these amounts in its accounts. City West Water recognises an administration fee collected from Melbourne Water relating to the billing and collection of drainage charges as revenue.

City West Water makes various other payments to and receives other payments from Melbourne Water which are recognised as revenue and expenses.

	30 June 2016 \$'000	30 June 2015 \$'000
Payments		
Bulk water and sewage charges	373,943	350,861
Drainage Charge collected on behalf of Melbourne Water	69,834	66,036
Property information statements	233	218
Other	112	138
Receipts		
Billings and collection fees	3,489	3,220
Government Water Rebate	16,785	27,467
Other	112	977
Payables		
Bulk water and sewage charges	5,526	7,997
Drainage Charge collected on behalf of Melbourne Water	1,555	1,914
Property information statements	110	109
Receivables		
Billings and collection fees	163	197

State Revenue Office

The State Revenue Office (SRO) is the Victorian Government's tax collection agency. The SRO administers Victoria's tax legislation and collects a range of taxes, duties and levies.

	30 June 2016 \$'000	30 June 2015 \$'000
Payments		
Land tax	56	64
Payroll tax	2,271	2,010
Unclaimed monies	-	212
Receipts		
Pension rebate	529	537
Payables		
Payroll tax	180	164
Unclaimed monies	148	-
Receivables		
Pension rebate	132	131

Department of Health and Human Services

City West Water provides a number of services to the community including the administration of the pension rebate and Health Care Card schemes on behalf of the Department of Health and Human Services.

Payments		
Safe Drinking Water Levy	132	129
Receipts		
Pension rebate	22,903	22,032
Administration fee on pension rebate	209	202
Dialysis users rebate	16	20
Utility relief grant	325	302
Receivables		
Pension rebate	3,168	3,026
Administration fee on pension rebate	19	19

Other Victorian Government controlled entities

Water and sewerage services were provided to other government controlled entities for properties within City West Water's service area under normal commercial terms and conditions.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

29. Economic dependency

The normal trading activities of City West Water depend to a significant extent on services relating to the acquisition of water and disposal of sewage currently supplied by Melbourne Water Corporation. During the financial year 2015-16 all drinking water supplies were sourced through Melbourne Water Corporation and the majority of City West Water's sewage disposals were made through Melbourne Water Corporation. As no alternative suppliers currently exist this dependency is expected to continue into the future.

As required by the *Borrowing and Investment Powers Act 1987*, City West Water's borrowings are sourced solely from the Treasury Corporation of Victoria.

30. Ex gratia expenses

	30 June 2016 \$'000	30 June 2015 \$'000
Forgiveness or waiver of debt	1,056	984
Property damage payments	71	88
Other	13	8
Total ex gratia expenses	1,140	1,080

Ex gratia expense items greater than or equal to \$5,000 individually or in total are disclosed.

In exceptional circumstances City West Water may waive part of a customer's debt. This will occur at the discretion of the corporation when there has been a significant undetected leak on a customer's property, unexplained high usage on a customer's account, or in cases of financial hardship.

Property damage payments are made when City West Water agrees to compensate a customer for damage caused by a City West Water asset or the failure of a City West Water asset.

Ex gratia expenses are recognised as part of other expenses (refer Note 4).

31. Reconciliation of profit after income tax to net cash inflow from operating activities

	30 June 2016 \$'000	30 June 2015 \$'000
Profit after income tax expense	43,789	36,438
Non-cash movements:		
Depreciation and amortisation of assets	47,336	41,982
Impaired receivables	2,357	2,524
Defined benefit superannuation fund expense	839	753
Net (gain)/loss on disposal of non-current physical assets	(217)	(41)
Asset write offs/write downs	11,977	1,155
Developer contributed assets	(34,603)	(19,120)
Movements in assets and liabilities:		
Decrease/(increase) in receivables	(8,117)	(2,690)
Decrease/(increase) in prepayments	267	1,163
Increase/(decrease) in payables	(2,184)	1,696
Increase/(decrease) in current tax liability	5,125	2,582
Increase/(decrease) in provision for employee benefits	781	1,055
Increase/(decrease) in defined benefit superannuation	(34)	(109)
Increase/(decrease) in other provisions	(580)	146
Increase/(decrease) in unearned income	(1,914)	1,626
Increase/(decrease) in deferred tax liabilities	(1,150)	(5,872)
Increase/(decrease) in other liabilities	744	217
Net cash provided by operating activities	64,416	63,505

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

32. Financial instruments**Interest rate risk**

The table below sets out City West Water's exposure to interest rate risk by outlining the effective weighted average interest rate for each class of financial asset and financial liability and its maturity.

Exposure arises predominantly from assets and liabilities bearing variable interest rates and fixed rate borrowings which mature during the year.

	Weighted average interest rate	1 Year or less \$'000	Over 1 Year \$'000	Non-interest bearing \$'000	Total \$'000
2014-15					
Financial assets					
Cash and cash equivalents (Note 8)	0.84%	526	-	-	526
Receivables (Note 9, 12) ¹		-	-	89,234	89,234
Total financial assets		526	-	89,234	89,760
Financial liabilities					
Payables (Note 15) ¹		-	-	50,786	50,786
Borrowings - fixed (Note 16, 21)	4.88%	60,000	932,500	-	992,500
Borrowings - floating (Note 16, 21)	2.43%	4,200	60,000	-	64,200
Advances and deposits (Note 20)		-	-	4,238	4,238
Deferred developer reimbursements (Note 20)		-	-	6,802	6,802
Other (Note 20)		-	-	373	373
Total financial liabilities		64,200	992,500	62,199	1,118,899
2015-16					
Financial assets					
Cash and cash equivalents (Note 8)	0.33%	54	-	-	54
Receivables (Note 9, 12) ¹		-	-	110,369	110,369
Total financial assets		54	-	110,369	110,423
Financial liabilities					
Payables (Note 15) ¹		-	-	54,433	54,433
Borrowings - fixed (Note 16, 21)	4.65%	-	1,022,500	-	1,022,500
Borrowings - floating (Note 16, 21)	2.43%	8,200	60,000	-	68,200
Advances and deposits (Note 20)		-	-	4,948	4,948
Deferred developer reimbursements (Note 20)		-	-	6,167	6,167
Other (Note 20)		-	-	407	407
Total financial liabilities		8,200	1,082,500	65,955	1,156,655

¹ Does not include statutory receivables or payables.

Consistent with its interest rate risk management policy City West Water entered into a number of forward rate settlements during the year to manage its interest rate risk exposure. There were four outstanding forward rate agreements at balance date.

Credit risk

City West Water's maximum exposure to credit risk is represented by the carrying amount of its financial assets in the balance sheet.

Categorisation of financial instruments

2014-15

	Contractual financial assets - loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000
Financial assets		
Cash and cash equivalents (Note 8)	526	-
Receivables (Note 9, 12) ¹	89,234	-
Total financial assets	89,760	-
Financial liabilities		
Payables (Note 15) ¹	-	50,786
Borrowings - fixed (Note 16, 21)	-	992,500
Borrowings - floating (Note 16, 21)	-	64,200
Advances and deposits (Note 20)	-	4,238
Deferred developer reimbursements (Note 20)	-	6,802
Other (Note 20)	-	373
Total financial liabilities	-	1,118,899

2015-16

Financial assets		
Cash and cash equivalents (Note 8)	54	-
Receivables (Note 9, 12) ¹	110,369	-
Total financial assets	110,423	-
Financial liabilities		
Payables (Note 15) ¹	-	54,433
Borrowings - fixed (Note 16, 21)	-	1,022,500
Borrowings - floating (Note 16, 21)	-	68,200
Advances and deposits (Note 20)	-	4,948
Deferred developer reimbursements (Note 20)	-	6,167
Other (Note 20)	-	407
Total financial liabilities	-	1,156,655

¹ Does not include statutory receivables or payables.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

32. Financial instruments (continued)

Credit quality of financial assets that are neither past due nor impaired

	Government agencies \$'000	Other \$'000
2014-15		
Cash and cash equivalents (Note 8)	526	-
Receivables (Note 9, 12) ¹	-	89,234
Total	526	89,234
2015-16		
Cash and cash equivalents (Note 8)	54	-
Receivables (Note 9, 12) ¹	-	110,369
Total	54	110,369

¹ Does not include statutory receivables.

Ageing analysis of financial assets

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due and not impaired			Impaired \$'000
			30-59 days \$'000	60-89 days \$'000	Greater than 90 days \$'000	
2014-15						
Receivables (Note 9) ¹	89,211	88,301	3,051	787	1,085	(4,013)
Other receivables (Note 12)	23	-	-	-	23	-
Total	89,234	88,301	3,051	787	1,108	(4,013)
2015-16						
Receivables (Note 9) ¹	110,346	108,195	3,587	1,312	1,098	(3,846)
Other receivables (Note 12)	23	-	-	-	23	-
Total	110,369	108,195	3,587	1,312	1,121	(3,846)

¹ Does not include statutory receivables.

Ageing analysis of financial liabilities

	Carrying amount \$'000	Current (less than three months) \$'000
2014-15		
Payables (Note 15) ¹	50,786	50,786
Total	50,786	50,786
2015-16		
Payables (Note 15) ¹	54,433	54,433
Total	54,433	54,433

¹ Does not include statutory payables.

Comparison between carrying amount and fair value

2014-15

Financial assets

	Carrying amount \$'000	Fair value \$'000
Cash and cash equivalents (Note 8)	526	526
Receivables (Note 9, 12) ¹	89,234	89,234
Total financial assets	89,760	89,760

Financial liabilities

Payables (Note 15) ¹	50,786	50,786
Borrowings - fixed (Note 16, 21)	992,500	1,100,505
Borrowings - floating (Note 16, 21)	64,200	64,834
Advances and deposits (Note 20)	4,238	4,238
Deferred developer reimbursements (Note 20)	6,802	6,802
Other (Note 20)	373	373
Total financial liabilities	1,118,899	1,227,538

2015-16

Financial assets

Cash and cash equivalents (Note 8)	54	54
Receivables (Note 9, 12) ¹	110,369	110,369
Total financial assets	110,423	110,423

Financial liabilities

Payables (Note 15) ¹	54,433	54,433
Borrowings - fixed (Note 16, 21)	1,022,500	1,158,248
Borrowings - floating (Note 16, 21)	68,200	68,897
Advances and deposits (Note 20)	4,948	4,948
Deferred developer reimbursements (Note 20)	6,167	6,167
Other (Note 20)	407	407
Total financial liabilities	1,156,655	1,293,100

¹ Does not include statutory receivables or payables.

Net fair value of financial instruments is determined on the following bases:

- cash, receivables, accounts payable and deposits are valued at their carrying amounts as this is considered to be fair value
- borrowings are valued by discounting expected future cash flows at the yield offered by the Treasury Corporation of Victoria as at 30 June 2016.

Notes to and forming part of the Financial Statements (continued)

For the year ended 30 June 2016

32. Financial instruments (continued)

Fair value hierarchy measurements

2014-15	Carrying amount \$'000	Fair value measurement using:		
		Level 1 ¹ \$'000	Level 2 ² \$'000	Level 3 ³ \$'000
Financial assets				
Cash and cash equivalents (Note 8)	526	526	-	-
Receivables (Note 9, 12) ⁴	89,234	-	89,234	-
Total financial assets	89,760	526	89,234	-
Financial liabilities				
Payables (Note 15) ⁴	50,786	-	50,786	-
Borrowings - fixed (Note 16, 21)	992,500	-	1,100,505	-
Borrowings - floating (Note 16, 21)	64,200	-	64,834	-
Advances and deposits (Note 20)	4,238	-	4,238	-
Deferred developer reimbursements (Note 20)	6,802	-	6,802	-
Other (Note 20)	373	-	373	-
Total financial liabilities	1,118,899	-	1,227,538	-
2015-16				
Financial assets				
Cash and cash equivalents (Note 8)	54	54	-	-
Receivables (Note 9, 12) ⁴	110,369	-	110,369	-
Total financial assets	110,423	54	110,369	-
Financial liabilities				
Payables (Note 15) ⁴	54,433	-	54,433	-
Borrowings - fixed (Note 16, 21)	1,022,500	-	1,158,248	-
Borrowings - floating (Note 16, 21)	68,200	-	68,897	-
Advances and deposits (Note 20)	4,948	-	4,948	-
Deferred developer reimbursements (Note 20)	6,167	-	6,167	-
Other (Note 20)	407	-	407	-
Total financial liabilities	1,156,655	-	1,293,100	-

¹ Quoted prices (unadjusted) in active markets for identical assets.² Inputs based on observable market data (either directly using prices or indirectly derived from prices).³ Inputs not based on observable market data.⁴ Does not include statutory receivables or payables.

Net fair value of financial instruments is determined on the following bases:

- cash, receivables, accounts payable and deposits are valued at their carrying amounts as this is considered to be fair value
- borrowings are valued by discounting the expected future cash flows at the yield offered by the Treasury Corporation of Victoria as at 30 June 2016.

There were no transfers between levels during the reporting period.

City West Water's policy is to recognise transfers between fair value hierarchy levels at the end of the reporting period.

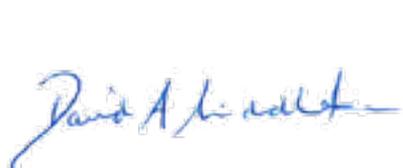
Statutory Certification

The attached financial statements for City West Water Corporation (the corporation) have been prepared in accordance with Direction 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We state that, in our opinion, the information set out in the Statement of Profit or Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and accompanying notes presents fairly the financial transactions during the year ended 30 June 2016 and the financial position of the corporation at 30 June 2016.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

This financial report was authorised for release by the Board of Directors on 9 September 2016



David Middleton
Chairman



David Ryan
Managing Director



Sean Crees
General Manager, Corporate Services

Melbourne
9 September 2016



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INDEPENDENT AUDITOR'S REPORT

To the Board Members, City West Water Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of City West Water Corporation which comprises the statement of profit and loss and other comprehensive income, balance sheet, statement of changes in equity, statement of cash flows, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification.

The Board Members' Responsibility for the Financial Report

The board members of City West Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the board members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on 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, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 the accounting policies used and the reasonableness of accounting estimates made by the board members, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates have complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of City West Water Corporation as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
16 September 2016


for Dr Peter Frost
Acting Auditor-General

Appendix 1 - Disclosure Index

City West Water Corporation's 2015-16 Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements including Financial Reporting Directions (FRDs), Ministerial Reporting Directions (MRDs) and Standing Directions of the Minister for Finance (SDs). This index has been prepared to facilitate identification of City West Water's compliance with statutory disclosure requirements.

LEGISLATION	DISCLOSURE REQUIRED	PAGE
Charter and purpose		
FRD 22G	Manner of establishment and the relevant Minister	76
FRD 22G	Purpose, functions, powers and duties	6
FRD 22G	Key initiatives and projects	14
FRD 22G	Nature and range of services provided	6
Management and structure		
FRD 22G	Organisational structure	7
FRD 22G	Directors of the Board	8-11
Financial and other information		
FRD 10A	Disclosure Index	104-105
FRD 22G	Five-year summary of financial results	16-17
FRD 22G	Disclosure of ICT expenditure	17
FRD 22G	Statement of workforce data	15
FRD 22G	Summary of financial results for the year	16
FRD 22G	Significant changes in financial position during the year	17
FRD 22G	Operational and budgetary objectives, and performance against objectives	16
FRD 22G	Major changes or factors affecting performance	16
FRD 22G	Employment and conduct principles	15
FRD 22G	Occupational health and safety policy	14
FRD 22G	Subsequent events	18
FRD 22G	Application and operation of the <i>Freedom of Information Act 1982</i>	18-19
FRD 22G	Application and operation of the <i>Protected Disclosure Act 2012</i>	19
FRD 22G	Statement of National Competition Policy	20
FRD 22G	Statement of availability of other information	21
FRD 22G	Environmental performance	20
FRD 22G	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	19
FRD 22G	Details of consultancies over \$10,000	18
FRD 22G	Details of consultancies under \$10,000	18
FRD 25B	Victorian Industry Participation Policy disclosures	21
FRD 27C	Presentation and reporting of performance information	30-32
FRD 30A	Standard requirements for the design and print of annual reports	Entire report
SD 4.5.5	Risk management compliance attestation	37
SD 4.2 (g)	Specific information requirements	7
SD 4.2 (j)	Sign-off requirements	101
Ministerial reporting directions		
MRD 01	Performance reporting	30-32
MRD 02	Reporting on water consumption and drought response	22-23
MRD 03	Environmental and social sustainability reporting	24-29
MRD 04	Disclosure of information on bulk entitlements	107
MRD 05	Annual reporting of major non-residential water users	36

Appendix 1 - Disclosure Index (continued)

FINANCIAL STATEMENTS		PAGE
Financial statements required under Part 7 of the <i>Financial Management Act 1994</i>		
SD 4.2(b)	Statement of Profit or Loss and Other Comprehensive Income	38
SD 4.2(b)	Balance Sheet	39
SD 4.2(a)	Statement of Changes in Equity	40
SD 4.2(b)	Statement of Cash Flows	41
SD 4.2(b)	Notes to and forming part of the Financial Statements	42-100
OTHER REQUIREMENTS UNDER STANDING DIRECTION 4.2		
SD 4.2(c)	Compliance with applicable Australian accounting standards and other authoritative pronouncements	42
SD 4.2(c)	Compliance with Ministerial Directions	42
SD 4.2(c)	Accountable officers' declaration	101
SD 4.2(d)	Rounding of amounts	52
OTHER DISCLOSURES REQUIRED BY FRDS IN NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS		
FRD 3A	Accounting for dividends	61, 75
FRD 7B	Early adoption of authoritative accounting pronouncements	42
FRD 11A	Disclosure of ex gratia payments	94
FRD 17B	Wage inflation and discount rates for employee benefits	86
FRD 21B	Disclosures of responsible persons, executive officers and other personnel (Contractors with Significant Management Responsibilities) in the Financial Report	76-79
FRD 103F	Non-financial physical assets	64-70
FRD 105A	Borrowing costs	57
FRD 106	Impairment of assets	48
FRD 108A	Classification of entities as for profit	42
FRD 109	Intangible assets	71-72
FRD 110	Cash flow statements	41
FRD 112D	Defined benefit superannuation obligations	82-87
FRD 114A	Financial instruments - General Government Entities and Public Non-Financial Corporations	96-100
FRD 119A	Transfers through contributed capital	75
FRD 120J	Accounting and reporting pronouncements applicable to the 2015-16 reporting period	43-44
Legislation		
<i>Water Act 1989</i>		
<i>Water Industry Act 1994</i>		
<i>Freedom of Information Act 1982</i>		
<i>Building Act 1993</i>		
<i>Protected Disclosure Act 2012</i>		
<i>Victorian Industry Participation Policy Act 2003</i>		
<i>Financial Management Act 1994</i>		

Appendix 2 - Key Performance Indicators

ECONOMIC TARGETS					
	Measure	2016 Actual	2016 Target	Variance (%)	2015 Actual
Profit before tax	\$m	65.7	42.0	56.4	47.3
Debt > 90 days overdue	\$m	4.4	4.4	-	4.1
Operating expenditure - (excluding depreciation and Environmental Contributions)	\$m	135.9	104.9	(29.6)	105.4
Capital expenditure	\$m	88.4	107.6	17.8	77.2
Gearing - (debt / (debt + equity))	%	59.5	58.7	(1.4)	57.0
SOCIAL TARGETS					
ESC regulated standards					
Customers receiving more than five unplanned water supply interruptions in a year	Number	0	72	100.0	0
Customers receiving more than three unplanned sewerage interruptions in a year	Number	0	0	-	0
Unplanned water supply interruptions	per 100 km	31.1	53.0	41.3	28.3
Water main breaks per 100km of water main	Number	42.5	61.1	30.4	37.9
Average time to rectify a sewer blockage	Minutes	126.1	150.0	15.9	118.6
Planned water supply interruptions restored within 5 hours	%	98.4	93.6	5.1	98.7
Average unplanned customer minutes off water supply	Minutes	14.7	33.5	56.1	12.8
Average planned customer minutes off water supply	Minutes	6.2	9.6	35.4	7.4
Average frequency of unplanned water supply interruptions	Number	0.123	0.300	59.0	0.114
Average frequency of planned water supply interruptions	Number	0.051	0.100	49.0	0.064
Correspondence answered within 10 working days	%	100.0	100.0	-	100.0
Average time taken to attend bursts and leaks (priority 1)	Minutes	22.6	24.3	7.0	25.2
Average time taken to attend bursts and leaks (priority 2)	Minutes	36.5	45.0	18.9	32.7
Average time taken to attend bursts and leaks (priority 3)	Minutes	244.7	303.8	19.5	196.4
Average time to rectify water faults	Days	1.5	1.1	(36.4)	0.7
Average duration of planned water supply interruptions	Minutes	119.5	143.7	16.8	115.4
Complaints to the Energy and Water Ombudsman Victoria	Per 1,000 customers	0.075	0.199	62.3	0.076
Priority 1 bursts responded to within one hour	%	99.8	99.8	-	99.1
Sewer spills within a house contained within one hour of notification	%	100.0	100.0	-	100.0
Emergency calls answered within 30 seconds	%	86.9	91.3	(4.8)	90.8
Account enquiries answered within 30 seconds	%	81.5	80.6	1.1	80.8
Calls to Connections and Metering answered within 30 seconds	%	87.6	80.6	8.7	93.4
OTHER TARGETS					
Number of customers receiving three sewer blockages in a year	Number	-	21	100.0	2
ISO 9001: 2008 (Quality)		Retained	Retain	-	Retained
<i>E.coli</i> compliance	%	100.0	100.0	-	100.0
Safe drinking water standards	%	100.0	100.0	-	100.0
Recycled water standards - Class A	%	n/a	100.0	n/a	n/a
Recycled water standards - Class B	%	n/a	100.0	n/a	n/a
Customers receiving five unplanned water supply interruptions in a year	Number	62	369	83.2	0

Further key performance indicators, including environmental indicators, are reported in the Report of Operations and the Performance Report sections of this report.

Appendix 3 - Bulk Water Entitlement Reporting

City West Water holds individual delivery entitlements to the water resources of the Greater Yarra System - Thomson River Pool (managed by Melbourne Water Corporation), the Victorian Desalination Project (owned and maintained by AquaSure under contract with the Victorian Government) and the Murray and Goulburn river systems (managed by Goulburn-Murray Water Corporation). Each of these entitlements with the exception of the Victorian Desalination Project allows City West Water to carry unused water allocations over from one year to the next.

REPORTING REQUIREMENT	GREATER YARRA SYSTEM – THOMSON RIVER POOL ¹	VICTORIAN DESALINATION PROJECT ²	GOULBURN SYSTEM ³	MURRAY RIVER ⁴
Amount of water taken	clause 16.1(a) 111,775ML	clause 13.1(a) OML ⁵	clause 14.1(b) OML	n/a
Annual water allocation made available A: Carryover as at 1-7-15	clause 16.1(b) 173,378ML	n/a	clause 14.1(c) 6,829ML	clause 11.1(a) 4,606ML ⁶
Annual water allocation made available B: Allocation over 2015-16	clause 16.1(b) 64,191ML	n/a	clause 14.1(c) 8,015ML	clause 11.1(a) 5,055ML ⁷
Annual water allocation made available C: Carryover as at 30-6-16	clause 16.1(b) 123,453ML ⁸	n/a	clause 14.1(c) 7,890ML ⁹	clause 11.1(a) 4,898ML ¹⁰
Compliance with entitlement volume	clause 16.1(c) 111,775ML ¹¹	clause 13.1(e) n/a	n/a	n/a
Assignment of bulk entitlement	clause 16.1(d) 1,800ML ¹²	clause 13.1(b) OML	clause 14.1(d) -6,529ML ¹³	clause 11.1(b) -4,506ML ¹⁴
Permanent transfer of all or part of this bulk entitlement	clause 16.1(d) None	n/a	clause 14.1(e) OML	clause 11.1(c) 0 ML
Approval, amendment and implementation of the metering program	clause 16.1(e) continuing ¹⁵	n/a	n/a	n/a
Any amendment to this bulk entitlement	clause 16.1(f) None	clause 13.1(c) None	clause 14.1(f) None	clause 11.1(d) None
Any new bulk entitlement of water granted	clause 16.1(g) 0 ML	clause 13.1(d) OML	n/a	n/a
Any failure to comply with any provision of this bulk entitlement	clause 16.1(h) None	clause 13.1(f) None	clause 14.1(g) None	clause 11.1(e) None
Any difficulties experienced or anticipated in complying with this bulk entitlement and any remedial action taken or proposed	clause 16.1(i) None	clause 13.1(g) None	clause 14.1(h) None	clause 11.1(f) None

Notes for compliance with bulk entitlements

- ¹ Bulk entitlement (Greater Yarra System - Thomson River Pool - City West Water) Order 2014. Compliance requirements in clauses 16.1(a)-(i).
- ² Bulk entitlement (Desalinated Water - City West Water) Order 2014. Compliance requirements in clauses 13.1(a)-(g).
- ³ Bulk entitlement (Goulburn System - City West Water) Conversion Order 2012 as at July 2014. Compliance requirements in clauses 14.1(a)-(h).
- ⁴ Bulk entitlement (Murray River - City West Water) Conversion Order 2012 as at July 2014. Compliance requirements in clauses 11.1(a)-(f). Entitlement is managed through separate accounts (Dart to Barmah and Barmah to SA).
- ⁵ The Minister placed a zero order for desalinated water in respect of deliveries during 2015-16.
- ⁶ Trading Zone 6, 2,135ML Trading Zone 7, 2,471ML.
- ⁷ Trading Zone 6, 2,286ML Trading Zone 7, 2,769ML.
- ⁸ Inclusive of allocated spills during 2015-16 of 4,130ML and 1,800ML assigned to City West Water (refer Note 12).
- ⁹ Inclusive of evaporation of 416ML.
- ¹⁰ Trading Zone 6, 2,267ML, Trading Zone 7 2,631ML, inclusive of evaporation of 257ML: Trading Zone 6, 119ML Trading Zone 7, 138ML.
- ¹¹ Annual entitlement volume is 155,227ML.
- ¹² On 27 June 2016 Gippsland and Southern Rural Water Corporation assigned 1,800ML of water allocation to City West Water for the purpose of supply to the Werribee Irrigation District.
- ¹³ Net assignment for water held in Trading Zone 1A
- ¹⁴ Net assignment of water held in Trading Zone 6 and Trading Zone 7
- ¹⁵ Metering programs for this bulk entitlement are continually maintained and reviewed via the Bulk Water Supply Agreement between City West Water Corporation and Melbourne Water Corporation and System Management Rules established by Melbourne Water Corporation.

City West Water 2016

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