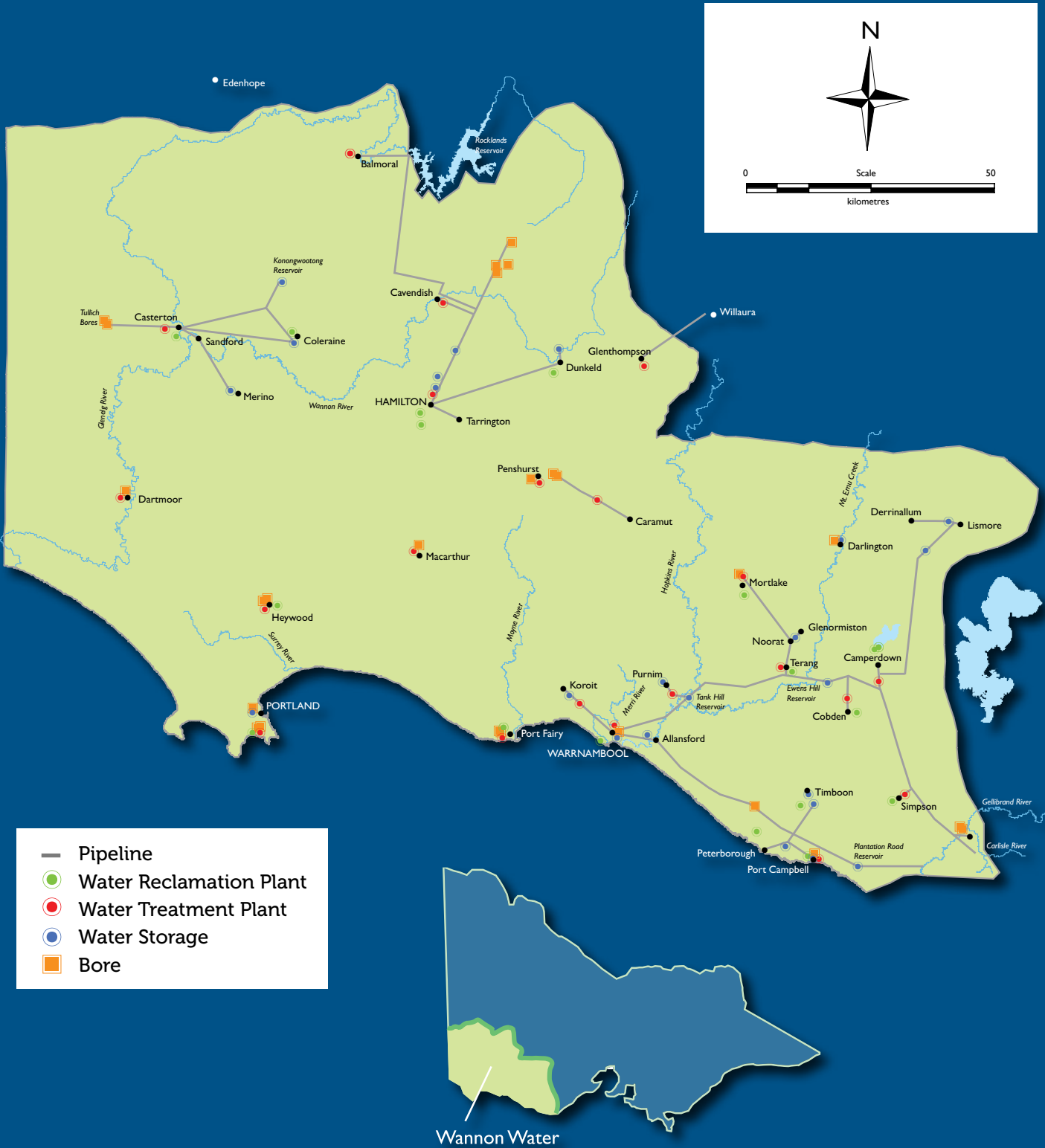




WANNON WATER 2015/16 ANNUAL REPORT



REGIONAL MAP



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OUR VISION

Beyond water for strong communities.

OUR MISSION

To provide safe, reliable, innovative and sustainable water services and strengthen communities in south-west Victoria.

OUR CORPORATE OBJECTIVES

- Business excellence
- Value for our customers
- Organisational capability
- Stronger communities

OUR VALUES

Think It!

- Be creative & innovative
- Embrace change & new ideas
- Show initiative
- Rise to the challenge

Work It!

- Act today for tomorrow
- Deliver & add value
- Get on board & have fun
- Listen, learn, share & grow

Own It!

- Follow through
- Take responsibility
- Walk the talk
- Celebrate our successes

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CHAIR AND MANAGING DIRECTOR'S REPORT

THIS 2015/16 ANNUAL REPORT REPRESENTS WHAT WAS IN MANY WAYS A YEAR OF EVOLUTION FOR WANNON WATER.

During the reporting period our organisation welcomed four new Directors, including a new Chair, a new Managing Director and two new Executive Team members.

Since formation 11 years ago, Wannon Water has successfully met its commitments to delivering safe and affordable water services that are highly valued by our customers, investing in infrastructure to secure water supply, making safety a priority and improving water quality and environmental performance. A focus on efficiency in the latter years has Wannon Water recording strong financial results. This growth and performance laid a strong foundation to build upon and, with the new Board and Executive Team in place, we hit the ground running in 2015/16 to take our corporation to the next level.

In particular, we turned our attention to our position in the community and reshaped our corporate vision to '*Beyond water for strong communities*' to clearly articulate our strategic focus on strengthening the communities we serve. In May we endorsed our first Community Strategy, *Partnering for Stronger Communities*, to deliver on this new approach. The strategy will be implemented over the next 18 months.

However, being safe, efficient and delivering high quality services remain priorities. We are pleased to advise that we have maintained our high service standards while delivering another strong financial operating result, with a profit before tax of \$8.15 million. We also maintained independent certification for our drinking water quality, occupational health and safety and environmental management systems, and successfully passed the biennial Drinking Water Regulatory Audit.

Our continued focus on delivering business efficiencies and passing the savings on to customers again resulted in lower water and sewerage prices in 2015/16 without compromising service standards. We also passed on efficiency savings to residential water customers via a \$70 Government Efficiency Rebate, the second of four annual rebates to be delivered through to 2017/18.

Our region's economy relies on the strength of the food and fibre industry, which has experienced a difficult year with a significant decline in milk prices. This directly impacts primary producers and dairy manufacturers and has flow-on effects to the service industry and the employees working in all those businesses.

To help support our regional economy, we are particularly pleased to advise that in the next financial year we will continue what will be a four-year trend of delivering price reductions and helping strengthen our communities and regional economy. In fact, the 2016/17 price reductions will be 2% greater in real terms than the average 0.34% reduction approved by the Essential Services Commission, making Wannon Water the first Victorian water corporation to proactively reduce prices beyond those approved, not once but twice. We will also provide a third \$70 annual rebate for residential water customers.

These real bill reductions have been made possible by our long-term financial planning and a concerted effort to develop innovative projects that deliver operational cost savings such as the Maintenance Excellence Program, which vastly improves the way maintenance services are managed, and the Portland Renewable Energy Project, which will see us produce our own renewable energy to power the city's water and sewage treatment facilities.

Wannon Water self-funded the \$16.87 million of capital works completed in the reporting period to support regional growth and asset renewal. These works included the new Wyatt Street bore in Portland, the Casterton Water Treatment Plant clarifier, the Heywood bore, substantial sewerage renewals in Portland and Coleraine, and water main renewals in Camperdown, Hamilton and Merino.

In 2016/17, Wannon Water will undertake \$23 million of capital works to service growth and improve services for our customers, including the Portland Renewable Energy Project, expansion of the Roof Water Harvesting Project in Warrnambool's Horne Road Industrial Estate, and water and sewer main replacements across the region.

During the year, Wannon Water approved an Inclusion and Diversity Policy and undertook activities to improve the understanding of diversity, including gender diversity, throughout our organisation. We expect long-term business benefits from greater awareness, the changes we have already made, such as improved workhours flexibility, and future initiatives, with improved decision-making and workforce productivity to result. These changes are not just good for business, but are also an important social equality change in our region and we are pleased to be at the forefront.

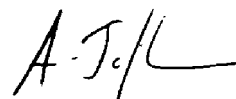
The *Water for Victoria* discussion paper was released by the Victorian Government during the year. Wannon Water was pleased with its efforts in consulting 576 people in our region on the issues within the discussion paper to help inform our submission, which generally supported the key policy directions and initiatives within the paper. We look forward to incorporating relevant initiatives within our planning and operations when the final policy is released later this year.

Finally, we acknowledge the outstanding contributions of outgoing Chairman John Vogels and Directors Rod Coutts, Kate Fraser and Frank Zeigler, whose terms ended on 30 September 2015, and our inaugural Managing Director, Grant Green, who finished on 17 July 2015. Their contributions to Wannon Water played a critical role in delivering business excellence, organisational capability and secure, safe, affordable and valued water services. They leave behind a strong foundation for Wannon Water to build upon in the years to come and we wish them the very best for the future.

In accordance with the *Financial Management Act 1994*, we are pleased to present Wannon Water's annual report for the year ending 30 June 2016.



Jacinta Ermacora
Chair
25 August 2016



Andrew Jeffers
Managing Director
25 August 2016

2015/16 HIGHLIGHTS

GOVERNANCE HIGHLIGHTS

- ✓ New Directors appointed and comprehensive induction program completed
- ✓ OH&S system recertified to AS 4801 standard
- ✓ Environmental Management System ISO recertified to ISO 14001
- ✓ HACCP water quality management system certification maintained
- ✓ Revised the corporate vision, mission and corporate objectives
- ✓ Commenced review of governance framework and Board performance system
- ✓ Revised the Customer Engagement Committee into a Community Advisory Committee to improve community outcomes
- ✓ Instigated an independent Stakeholder Perceptions Review to identify opportunities for improvement
- ✓ New Statement of Obligations, issued by Minister for Water on 20 December 2015, incorporated into our Governance Framework

BUSINESS EXCELLENCE HIGHLIGHTS

- ✓ Profit before tax of \$8.15 million
- ✓ Favourable gearing ratio of 7.00% per cent
- ✓ Self-funded \$16.87 million annual capital works program
- ✓ Recognised for strong service performance in the ESC's Water Performance Report of Victorian urban water and sewerage businesses
- ✓ Announced an innovative project to construct a wind generator in Portland to produce renewable energy, lower operating costs and reduce greenhouse gas emissions by a further 8%
- ✓ Upgraded the Casterton Water Treatment Plant clarifier to ensure ongoing high water quality
- ✓ Upgraded one of two storage basins at the Hamilton Water Treatment Plant to ensure ongoing security of supply
- ✓ Significantly progressed construction of a new groundwater bore at Wyatt Street, Portland, to boost security of the city's drinking water supplies
- ✓ Implemented a Maintenance Excellence Program to improve the way maintenance services are managed and deliver operational savings
- ✓ Received a Sir Rupert Hamer Records Management Award in records management excellence for our Plans Database Project

VALUE FOR CUSTOMERS HIGHLIGHTS

- ✓ Delivered real reductions in customer bills while maintaining levels of service
- ✓ High customer satisfaction rating maintained (94% for residential customers; 95% for business customers)
- ✓ Delivered the second of four annual \$70 bill reductions for residential water customers
- ✓ Commenced a project to implement a full suite of contemporary customer services to deliver greater customer value and business efficiency
- ✓ Continued to enhance online customer service smart forms to make it easier for customers to submit information to Wannon Water
- ✓ Reduced the percentage of non-revenue water compared to total water use
- ✓ Engaged an independent agency to better understand the circumstances of hardship customers to help implement the most appropriate payment plans

STRONGER COMMUNITIES HIGHLIGHTS

- ✓ Developed a Community Strategy to drive our new corporate vision, "*Beyond water for strong communities*"
- ✓ Conducted community engagement to inform the Community Strategy, 2018-2023 pricing submission and the Victorian Government's *Water for Victoria* discussion paper
- ✓ Acted to reassure and engage with the Penshurst community following concerns of groundwater contamination at the CFA Training Campus
- ✓ Supported the Future Leaders of Industry initiative in Portland
- ✓ *Water It, Grow It, Cook It* kitchen garden competition re-launched for local schools
- ✓ 5,000+ refillable water drink bottles distributed to community groups and schools
- ✓ Continued promotion of the 'Choose Tap' campaign to promote the benefits of drinking tap water compared to bottled water and other beverages
- ✓ Partnered with stakeholders to revegetate the Hickford Parade, Warrnambool, sewer main replacement site, protecting the environment and installing an improved walking track and access point

2015/16

HIGHLIGHTS

- ✓ Engaged the Cobden community on an application to amend the Amalgamated Licence and provide a permanent solution for treated effluent at Cobden Water Reclamation Plant
- ✓ Adopted a new corporate Environmental Policy
- ✓ Expanded the innovative aquaculture research program to determine the impact of goldfish on sludge volumes at Port Campbell Water Reclamation Plant
- ✓ Beneficially reused 100% of biosolids
- ✓ Upgraded access points, parking and boat launching facilities at Konongwootong Reservoir
- ✓ Undertook projects to improve the health and sustainable productivity of regional catchments and landscapes at high priority sites
- ✓ Employees donated \$3,150 raised at Social Committee events to local and national charities

ORGANISATIONAL CAPABILITY HIGHLIGHTS

- ✓ Reduced Lost Time Injury Frequency Rate by 56%
- ✓ Reduced Lost Time Injuries from 7 to 3
- ✓ Adopted an Inclusion and Diversity Policy to embed inclusion and diversity within our systems and culture
- ✓ Conducted education sessions and activities to enhance the health and wellbeing of our workforce
- ✓ Adopted our first People & Capability Strategy
- ✓ Provided 10,964 hours of training for employees, including leadership development
- ✓ Awarded a four-year, \$20,000 Engineering Scholarship and workplace opportunities to a local Civil Engineering student
- ✓ Appointed six trainees, providing additional employment and skills development opportunities within the region
- ✓ Improved workhours flexibility to provide greater work-life balance for employees and deliver benefits for Wannon Water

CORPORATE PROFILE

ABOUT US

Wannon Water (Wannon Region Water Corporation) is a regional urban water corporation wholly owned by the Victorian State Government.

Wannon Water was constituted under the *Water Act 1989* as a statutory corporation in July 2005. The responsible Ministers during the reporting period were:

- The Hon. Lisa Neville MP, Minister for Environment, Climate Change and Water from 1 July 2015 to 22 May 2016; and
- The Hon. Lisa Neville MP, Minister for Water from 23 May 2016 to 30 June 2016.

Our service area extends over 23,500 square kilometres in south-west Victoria. The Warrnambool City, Corangamite Shire, Glenelg Shire, Moyne Shire, Southern Grampians Shire and Colac Otway Shire Councils are all within our service area.

Wannon Water provides reticulated water and sewerage services to more than 84,000 residents. Our functions include the collection, storage, treatment and delivery of water; the collection and treatment of sewage and trade waste; and water recycling.

Our \$776 million assets include pipelines, reservoirs, water treatment plants, water reclamation plants and recycled water plants.

CUSTOMERS

Our customer base is composed of 85 per cent residential customers, 11 per cent business customers and 4 per cent rural customers.

Customer segment	Number of customers	Total water consumption (megalitres)	Percentage of total consumption	5-year average consumption (megalitres)	Average consumption per customer 2015/16 (kilolitres)
Residential	36,061	5,515	46%	5,240	153
Business	4,635	3,884	32%	3,787	838
Rural	1,770	2,577	22%	2,524	1,456
Total	42,466	11,976	100%	11,551	282

WATER SYSTEMS

Wannon Water supplies water from a diverse range of water sources, including surface water catchments, deep geothermal and shallow groundwater aquifers.

Our water systems include the:

- Otway system, sourced from the Gellibrand River catchment (and groundwater), which supplies water to Warrnambool, Simpson, Cobden, Camperdown, Glenormiston, Lismore, Derrinallum, Terang, Mortlake, Purnim, Allansford and Koroit;
- Grampians system, sourced from streams in the southern Grampians catchment, which supplies water to Hamilton, Cavendish, Dunkeld and Tarrington (this system is augmented by water piped from Rocklands Reservoir as required);
- Balmoral system, sourced from Rocklands Reservoir in the southern Grampians;
- Glenthompson system, sourced from a local catchment and groundwater;
- Dartmoor, Heywood, Peterborough, Port Campbell, Port Fairy, Portland and Timboon systems, all sourced from the deep Dilwyn Aquifer; and
- Caramut, Casterton, Coleraine, Darlington, Macarthur, Merino, Penshurst and Sandford are supplied with water sourced from shallow aquifers.

CORPORATE PROFILE

CORPORATE INTENT

Since formation 11 years ago, Wannon Water has successfully focussed on its ability to deliver secure, safe and affordable water services that are highly valued by customers and has achieved excellent results. This success now provides a solid foundation for Wannon Water to think beyond traditional services with the aim of strategically partnering with other organisations to help build stronger communities in south-west Victoria.

Wannon Water's statement of corporate intent incorporates strategic directions and objectives for the future. During the reporting period we revised our corporate objectives, sharpening our focus on business excellence, valued services and organisational capability, and introducing a commitment to strengthen the communities in which we operate.

VISION

Beyond water for strong communities.

MISSION

To provide safe, reliable, innovative and sustainable water services and strengthen communities in south-west Victoria.

CORPORATE OBJECTIVES

Business Excellence

- We will maintain our financial viability by applying sound business planning, managing financial risks and ensuring sufficient income is generated to meet operating costs and debt commitments.
- We will maximise the efficiency of our business by using our initiative, embracing innovation and investing in assets and technology that minimise whole of life costs.
- We will ensure our decision making is evidence-based and robust by implementing management and information systems based on externally recognised principles and standards relevant to our business.

Value for our customers

- We will deliver long-term value to our customers by supplying water-related products and services that reflect their expectations for quality, reliability and price.
- We will supply fit-for-purpose water products now and for the future by developing and implementing integrated solutions utilising the range of water resources within our region.

Organisational capability

- We will grow the capability of our organisation by investing in the skills and wellbeing of our employees.
- We will enhance organisational capability by having an inclusive culture and benefit from diversity.

Stronger communities

- We will strategically partner with stakeholders to strengthen communities in the south-west region.
- We will mitigate and adapt to climate change through planning, innovation, taking pro-active actions and considering carbon neutrality.
- We will enhance the health of natural capital (water, biodiversity, soil and air) within our region.

AT A GLANCE

	2015/16	Change (%)	2014/15	Change (%)	2013/14	Change (%)	2012/13	Change (%)	2011/12	Change (%)
Population served	84,172	1.2	83,177	0.3	82,941	0.8	82,281	0.4	81,945	1.2
Connected properties (water)	42,466	0.5	42,261	0.6	42,008	1.1	41,550	0.8	41,236	1.4
Connected properties (sewerage)	36,146	0.9	35,839	1.2	35,419	1.2	35,009	0.9	34,690	1.3
Water treatment plant volumes (ML)	11,772	4.7	11,240	-3.1	11,604	-4.7	12,176	1.9	11,946	7.7
Water reclamation plant volumes (ML)	9,905	-4.1	10,347	-4.1	10,786	14.3	9,436	-5.4	9,975	-12.4
Employee numbers (FTE)	188	-0.5	189	-7.8	203	-0.5	204	-1.9	208	5.6
Number of days lost to injury	25	-39	41	310	10	-68.8	32	-53.6	69	245.0
Total revenue (\$'000)	77,006	0.3	76,786	4.6	73,432	-4.2	76,680	-4.2	80,028	36.8
Net operating result before tax (\$'000)	8,145	64.2	4,959	90.3	2,606	-69.7	8,593	75.0	4,911	245.4
Total assets (\$'000)	776,364	32.2	587,121	-0.8	591,681	-1.4	600,351	1.3	592,431	3.0
Capital expenditure (\$'000)	17,170	3.6	16,573	-18.1	20,237	-16.0	24,106	-21.8	30,820	80.6

KEY DEVELOPMENTS 2015/16

RENEWABLE WIND ENERGY TO POWER PORTLAND TREATMENT PLANTS

Portland's credentials as a renewable energy centre received a significant boost during the reporting period, with Wannon Water announcing in May 2016 that it will construct a \$2.4 million wind generator at the city's water reclamation plant.

The innovative project will see Wannon Water produce its own renewable energy to power Portland's energy-intensive water and sewage treatment facilities, helping to deliver reductions in customer water bills and improve Wannon Water's environmental performance.

The generator will be installed at the Olearia Road site and connect directly to the treatment facilities near the coast.

Once the project is completed in mid-2017, it is believed Portland will become the first Australian city to achieve net-zero emissions from on-site renewable power generation for its water and sewerage systems.

The project will significantly reduce energy costs and create savings that will be passed on to customers. It will also improve Wannon Water's environmental performance, reducing our overall greenhouse gas emissions by a further 8 per cent a year on top of the 23 per cent reduction already achieved since 2006/07.

The generator, which will produce more than 2GWh of renewable energy a year, will be smaller than other generators already installed along the coastline nearby.

Wannon Water consulted with neighbouring property owners during the project's planning phase, with the majority expressing their support for the concept and a clear preference for the generator to be located behind the existing water reclamation plant.

The project is an example of Wannon Water's commitment to demonstrating leadership in innovation, water supply security and implementing ideas to support future growth and regional prosperity. It will deliver multiple benefits for customers, the environment and local communities.

Wannon Water has committed more than \$30 million to infrastructure investment in Portland in recent years, resulting in between 60 and 70 construction jobs.



Above: Wannon Water Director Russell Worland, Managing Director Andrew Jeffers, Deputy Chair Mick Murphy, OAM and Chair Jacinta Ermacora announce the Portland Renewable Energy Project at the Portland Water Reclamation Plant.

KEY DEVELOPMENTS 2015/16

NEW STRATEGY FOR DEVELOPING STRONG COMMUNITY PARTNERSHIPS

Wannon Water has developed its first community strategy to help drive a new corporate vision: 'Beyond water for strong communities'.

Since it was formed 11 years ago, Wannon Water's main focus has been on its ability to deliver secure, safe and affordable water services that are highly valued by its customers and integral to all aspects of life across South West Victoria. But, with 42,000 customers and 200-plus employees, Wannon Water now recognises it can offer so much more.

Customers and employees are all part of the rich social and economic fabric that forms the communities and groups across the region. This provides a solid foundation for Wannon Water to think beyond its traditional services and partner strategically with other organisations to help make those communities stronger.

The new strategy, *Partnering for Stronger Communities*, was developed over six months with input from the Board, employees, the Community Advisory Committee and key regional stakeholders.

The strategy aims to identify initiatives that have shared value for both Wannon Water and its communities to deliver "win-win" solutions for all.

A major project to replace a sewer main adjacent to Warrnambool's Hickford Parade provides a practical example of how this approach can work.

A 620-metre section of the original main, which ran along a foreshore reserve, had reached the end of its service life. It was identified as a priority project to avoid future sewer spills and to protect the integrity of the sewerage system. A new, larger main was installed to cater for future development east of the Hopkins River.

Wannon Water consulted with nearby residents, emergency services and various indigenous, user and environmental groups to plan the project and strengthen links with the community. Once the construction work was completed, the area was revegetated with native

grasses and plants, an improved walking track installed and an access point for future maintenance and use by emergency vehicles created, creating multiple benefits from the one project.

Strong community partnerships like this also link to Wannon Water's five key themes: regional prosperity; education, training and volunteering; health and wellbeing; the natural environment; and telling our story.



CORPORATE GOVERNANCE



Board of Directors:

Back row: Michael Crutchfield, Rob Wallis, Jacinta Ermacora, Andrew Jeffers, Georgina Gubbins. Front row: Sharon Lewis, Russell Worland, Mick Murphy, OAM

OUR BOARD

Wannon Water's Board comprises seven independent non-executive Directors and one executive Director, who is the Managing Director. The non-executive Directors are appointed by the Minister for Water in consultation with the Treasurer for terms up to four years and the Victorian Government sets their remuneration. The Managing Director is appointed by the Board in accordance with the *Water Act 1989*.

The Board is responsible for overall corporate governance of Wannon Water, including:

- setting strategic direction, values, standards and policies;
- establishing goals for management and monitoring the delivery of strategies and targets;
- monitoring the identification and management of business risks; and
- monitoring the performance of the corporation.

The Directors bring to the Board an appropriate mix of skills and experience.

JACINTA ERMACORA - CHAIR

**BSocWk, MSocSc (Policy and Management), FAICD.
Appointed 1 October 2015**

Jacinta is a Quality Improvement Performance Assessor, a Councillor at Warrnambool City Council, and has been the Mayor at Warrnambool City Council. She is a member of the Global Foundation Advisory Council and AICD Great South Coast Committee. Previously she was a founding Director and Deputy Chair at Wannon Water and a Director at Glenelg Hopkins Catchment Management Authority. Jacinta's professional background is in primary health, policy, regional economic development and community engagement. Jacinta has a Master of Social Science, Bachelor of Social Work and is a Graduate and Fellow of the Australian Institute of Company Directors.

Jacinta is the Chair of the Strategic Issues Committee and the Executive Remuneration Committee and a member of the People, Culture and Safety Committee.

CORPORATE GOVERNANCE

MICK MURPHY, OAM – DEPUTY CHAIR

DipCE, MAICD, P.Grad. Dip.Bus.Man.

Appointed 1 October 2015

From Mortlake, Mick has a background in civil engineering and business development consulting. He has 20 years' experience as a local government and water board engineer. Prior to joining Wannon Water, Mick spent 20 years as a Chairman and Director of a number of state and regional statutory authorities, and has served as a Mayor and Councillor of Moyne Shire, and as a foundation director of South West Water.

He was awarded a Centenary Medal in 2002 for service to water management, and an Order of Australia Medal (OAM) in 2006 for service to the community of regional Victoria, particularly through local government, water conservation and environment organisations.

He is currently Executive Chairman of Michael J Murphy & Co Pty Ltd, Independent Chair of headspace South West, and a Board Member of Abbeyfield Aged Care.

Mick is a member of the Strategic Issues Committee, the Executive Remuneration Committee and the Community Advisory Committee.

ANDREW JEFFERS - MANAGING DIRECTOR

B. Eng (Civil), M. Eng (Env), MBA, GAICD.

Appointed 20 July 2015

Prior to appointment in July 2015, Andrew worked for 16 years with Wannon Water and 23 years within the Victorian water industry in various engineering and corporate roles which has resulted in a deep understanding of the water industry and the business of a water corporation.

Andrew understands Wannon Water exists because of its customers and understands the importance and community value of providing high quality water, sewerage and trade waste services. He has a special interest in ensuring that Wannon Water helps communities in the south-west flourish.

Andrew is a member of the Victorian Intelligent Water Network Executive Committee, an independent member of the Corangamite Shire Audit Committee and a director of the Great South Coast Group.

Andrew is a member of the Strategic Issues Committee and the People, Culture and Safety Committee.

MICHAEL CRUTCHFIELD

MBA, BA, BPE, Dip Ed.

Appointed 1 October 2015

Michael is a Country Fire Authority Operations Officer and was previously a member of the Victorian Parliament, where he was the Parliamentary Secretary for Water and Environment. He has a Master of Business Administration, Bachelor of Arts, Bachelor of Physical Education and Diploma of Education.

Michael is a member of the Strategic Issues Committee and the People, Culture and Safety Committee.

GEORGINA GUBBINS

BN, MAB, GAICD.

Appointed 1 October 2011

Georgina brings to the Board over 20 years' experience in commercial business and corporate governance in the agribusiness sector where her skills have been in natural resource management, research and development, strategic planning, production efficiency and financial management.

As a specialist red meat producer, Georgina employs sustainable and environmental farming practices, extending to local wetland protection and establishment of wildlife corridors. With numerous roles in industry advisory committees on a local, state and national level, Georgina has gained experience in community and stakeholder engagement.

Georgina was awarded a Corporate Governance Scholarship from Meat & Livestock Australia, holds a Masters of Agribusiness and is a Graduate of the Australian Institute of Company Directors.

Georgina is a member of the Strategic Issues Committee, the Executive Remuneration Committee and the Audit and Risk Management Committee.

CORPORATE GOVERNANCE

SHARON LEWIS

BSc (REM), BAppSci (Hons), Dip Prof Pract Mgt, GAICD.
Appointed 1 October 2015

Sharon has almost 20 years' experience in the environment and catchment management sector, including policy and management roles within State and Local Government, and Catchment Management Authorities.

Sharon has qualifications in Environmental Science from the Australian National University and the University of Canberra. She has also completed a Diploma in Professional Practice Management and is a graduate of the Australian Institute of Company Directors.

Sharon is currently the Executive Officer to the Board of Barwon Health.

Sharon is Chair of the People, Culture and Safety Committee and a member of the Strategic Issues Committee and the Audit and Risk Management Committee.

ROB WALLIS

BSc (Hons), MSc, PhD, Dip Ed, Grad.Dip.Ed.Studs, Grad. Cert.Management, FAICD.
Appointed 1 October 2007

Rob has worked in higher education for many years and has held positions of Pro Vice-Chancellor (Rural and Regional) at Deakin University and Pro Vice-Chancellor (Research) at the University of Ballarat. He is at present Professor in Research Development at Federation University Australia.

Rob has postgraduate qualifications in Science, Education and Management.

Rob has previously served as Director for a number of Boards and is a Fellow of the Australian Institute of Company Directors.

Rob is Chairman of the Audit and Risk Management Committee and is a member of the Strategic Issues Committee and the Executive Remuneration Committee.

RUSSELL WORLAND

Dip Public Admin (Local Government), GAICD, CM.
Appointed 1 October 2011

Russell has had a long and distinguished career in the water industry. Russell spent 19 years as town clerk of Hamilton City Council and was secretary of the Hamilton Water Board for 20 years. In 1995 Russell was appointed as Chief Executive Officer of South West Water, one of the three water authorities that merged to form Wannon Water in 2005.

Awarded the Centenary Medal for his contribution to the water industry in 2002, Russell is a Fellow of the Institute of Water Administration and Graduate of the Australian Institute of Company Directors.

Russell is a Director of South West Healthcare and a Director of Southern Way Direct Care Services (a disability service provider) and has extensive experience in strategic planning.

Russell is a member of the Strategic Issues Committee, the Audit and Risk Management Committee and the Community Advisory Committee.

CORPORATE GOVERNANCE

DIRECTOR ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board	Audit & Risk Management Committee	Executive Remuneration Committee	Strategic Issues Committee	People, Culture & Safety Committee	Community Advisory Committee
	Attended	Attended	Attended	Attended	Attended	Attended
John Vogels#	3 of 3	1 of 1	-	1 of 1	-	-
Rodney Coutts#	3 of 3	1 of 1	-	1 of 1	-	-
Katharine Fraser#	3 of 3	-	-	1 of 1	-	-
Frank Zeigler#	3 of 3	1 of 1	-	1 of 1	-	-
Grant Green	1 of 1	-	-	-	-	-
Jacinta Ermacora	8 of 8	-	2 of 2	7 of 7	2 of 2	-
Michael Crutchfield*	7 of 8	-	-	6 of 7	2 of 2	-
Georgina Gubbins	11 of 11	3 of 3	2 of 2	8 of 8	-	1 of 1
Andrew Jeffers	10 of 10	-	-	8 of 8	2 of 2	-
Sharon Lewis	8 of 8	3 of 3	-	7 of 7	2 of 2	-
Mick Murphy, OAM*	7 of 8	-	2 of 2	5 of 7	-	3 of 3
Rob Wallis	11 of 11	4 of 4	2 of 2	7 of 8	-	-
Russell Worland*	10 of 11	3 of 4	-	7 of 8	-	3 of 4

* Director Crutchfield was on leave of absence for the December 2015 meeting.

* Director Worland was on leave of absence for the April 2016 meeting.

* Director Murphy was on leave of absence for the June 2016 meeting.

Directors Vogels, Coutts, Fraser and Zeigler completed their terms as Directors on 30 September 2015.

BOARD MEETINGS

Board meetings are scheduled monthly except for January. Minutes of meetings record Board decisions.

Directors receive customer and other stakeholder feedback through a range of mechanisms, including the Community Advisory Committee, direct customer and stakeholder engagement, customer surveys, community consultation and project-based customer committees.

ETHICAL STANDARDS

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance practice and ethical conduct by Directors, employees and contractors. The Board has a comprehensive governance framework that seeks to ensure high standards of ethical behaviour through policies supported by specific awareness and compliance programs. The governance framework is regularly reviewed.

The Code of Conduct for Directors of Victorian Public Entities issued by the Public Sector Standards Commissioner provides guidance to Directors for compliance with the public sector values and good governance practice. The code was updated on 29 March 2016.

The Board reviewed the Instrument of Delegation for financial and non-financial decision making during the reporting period.

PECUNIARY AND CONFLICT OF INTEREST DECLARATIONS

Directors and managers completed declarations of pecuniary interest and potential conflicts of interest during the reporting period.

The Board also reviewed its conflict of interest practices against the Department of Environment, Land, Water and Planning model policy for conflict of interest and commenced the practice of reviewing the conflict of interest and gift register at the beginning of each Board meeting.

CORPORATE GOVERNANCE

INDEPENDENT ADVICE

The Board ensures that independent judgment is maintained. Directors are entitled to seek independent legal advice on matters relating to the business of Wannon Water at the corporation's expense, subject to consultation with the Chair. No Director exercised this right during the reporting period.

BOARD COMMITTEES

The Board has five committees to assist the Board in carrying out its responsibilities:

- Audit and Risk Management Committee
- Executive Remuneration Committee
- People, Culture and Safety Committee
- Strategic Issues Committee
- Community Advisory Committee

Audit and Risk Management Committee

The Audit and Risk Management Committee provides independent assurance and advice to the Board on Wannon Water's risk, control and compliance framework and its external accountability responsibilities. The committee meets with the internal auditor, Pitcher Partners, and the external auditor.

As at 30 June 2016 the committee comprised non-executive independent Directors Rob Wallis (Chair), Georgina Gubbins, Sharon Lewis and Russell Worland, and independent external members Stephen Bird and Rodney Coutts.

Executive Remuneration Committee

The Executive Remuneration Committee oversees succession planning and remuneration policies and practices for executive employment in line with Government Sector Executive Remuneration Panel guidelines.

As at 30 June 2016 the committee comprised four non-executive Directors: Jacinta Ermacora (Chair), Georgina Gubbins, Mick Murphy, OAM and Rob Wallis.

People, Culture and Safety Committee

The People, Culture and Safety Committee strategically reviews processes for identifying, assessing and prioritising public health and occupational health and safety risks and associated risk abatement programs.

As at 30 June 2016 the committee comprised non-executive Directors Sharon Lewis (Chair), Michael Crutchfield and Jacinta Ermacora, as well as Managing Director Andrew Jeffers.

Strategic Issues Committee

The Strategic Issues Committee provides a forum for Directors to explore issues of strategic importance to Wannon Water in depth and build relationships with key stakeholders.

As at 30 June 2016 the committee comprised non-executive Directors Jacinta Ermacora (Chair), Michael Crutchfield, Georgina Gubbins, Sharon Lewis, Mick Murphy, OAM, Rob Wallis and Russell Worland, as well as Managing Director Andrew Jeffers.

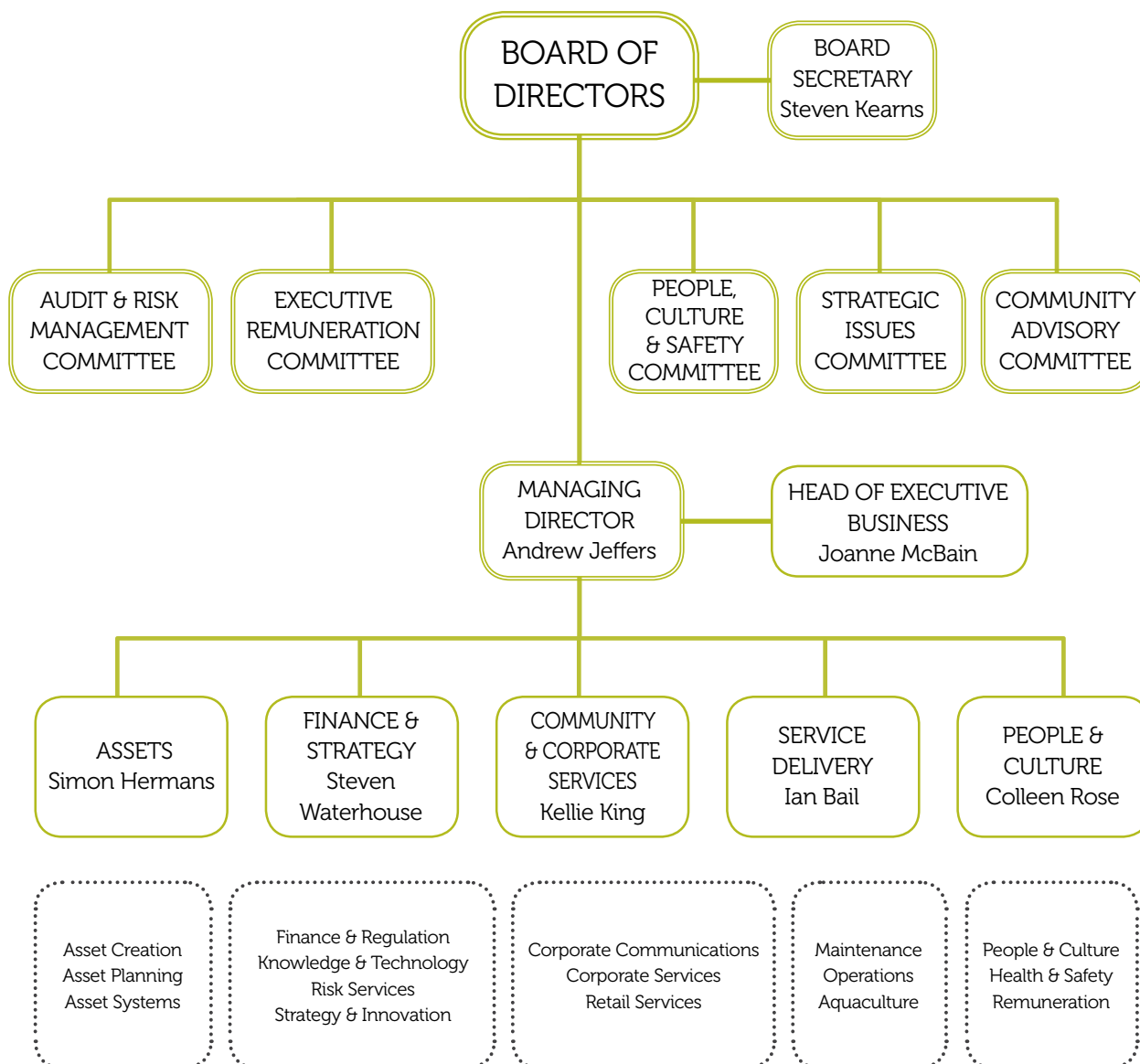
Community Advisory Committee

The Community Advisory Committee is a diverse voluntary group of customers and community members brought together to provide valuable input and advice to help inform Wannon Water's decision-making and quality improvement.

As at 30 June 2016 the committee's two non-executive Director members were Mick Murphy, OAM and Russell Worland.

ORGANISATIONAL STRUCTURE

AS AT 30 JUNE 2016



BUSINESS EXCELLENCE

CORPORATE OBJECTIVES:

- maintain financial viability
 - maximise efficiency
- ensure decision-making is robust

WANNON WATER MAINTAINS FINANCIAL VIABILITY BY APPLYING SOUND BUSINESS PLANNING, MANAGING FINANCIAL RISKS AND ENSURING SUFFICIENT INCOME IS GENERATED TO MEET OPERATING COSTS AND DEBT COMMITMENTS.

Wannon Water achieved a net profit before tax of \$8.15 million for the reporting period. This was a \$3.19 million improvement on the budget for the year and a \$3.19 million improvement on the previous year. The implementation of efficiency initiatives delivered significant operational expenditure savings compared to budget.

Wannon Water generated cash flows of \$34.8 million from operating activities, which enabled investment of \$17.2 million in capital infrastructure and a significant decrease in interest-bearing liabilities of \$12.9 million.

The table below provides the financial highlights in 2015/16 compared with the previous four years.

Financial Result	2015/16 (\$'000)	2014/15 (\$'000)	2013/14 (\$'000)	2012/13 (\$'000)	2011/12 (\$'000)
Core business revenue	73,113	71,127	69,340	68,532	61,628
Capital Revenue	620	1,916	613	921	12,730
Government contributions	82	74	107	1,340	621
Other revenue	3,191	3,669	3,373	5,887	5,049
Total revenue	77,006	76,786	73,432	76,680	80,028
Operating expenditure	41,468	42,607	40,242	37,868	40,687
Depreciation & amortisation expenditure	21,705	22,947	23,873	23,362	25,445
Finance costs	4,400	4,875	5,647	5,979	5,873
Other expenditure	1,288	1,398	1,064	878	3,112
Total expenditure	68,861	71,827	70,826	68,087	75,117
Net result before tax	8,145	4,959	2,606	8,593	4,911
Current assets	23,456	19,046	18,346	21,048	16,249
Non-current assets	752,908	568,075	573,335	579,303	576,182
Total assets	776,364	587,121	591,681	600,351	592,431
Current liabilities	19,813	18,574	20,362	21,177	19,053
Non-current liabilities	143,772	95,893	105,945	115,722	116,073
Total liabilities	163,585	114,467	126,307	136,899	135,126
Net cash flows from operations	34,801	29,333	26,409	27,241	19,446
Payments for property, plant and equipment (including infrastructure)	17,170	16,573	20,237	24,106	30,820

BUSINESS EXCELLENCE

OUR REVENUE

Total revenue for the year remained at a similar level to 2014/15 with a slight increase of \$0.22 million recorded.

In line with our price and growth projections, overall water and sewerage service charges only increased by 1.2 per cent from the previous year, delivering on the focus of affordable pricing for our customers. With the drier than usual year, volumetric water sales increased 6.6 per cent from the previous year to a total of \$25.86 million.

Trade waste charges produced \$1.67 million less than the prior year, with a reduction in brine receival, trade waste quality charges and non-prescribed recovery income the main drivers.

An increase in recognising land development activity within the region resulted in gifted assets producing a \$1.4 million positive variance to budget.



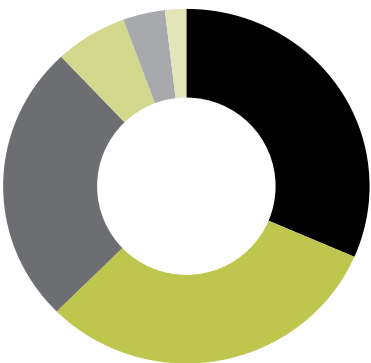
Sewerage service charge	35%
Volumetric water usage charges	34%
Fixed water service charges	13%
Trade waste charges	9%
Other income	5%
Gifted assets	3%
New customer / developer contributions	1%

OUR EXPENSES

Total expenses decreased by \$2.97 million (4.1 per cent) compared to the previous year.

The implementation of efficiency initiatives during 2015/16 resulted in reductions in consultant and contractor expenditure (\$2.04 million). Part of this is driven by operating projects being \$1.28 million less than the previous year's total.

Borrowing costs (\$0.48 million) compared favorably to the prior year due predominantly due to less than budgeted new borrowings required throughout the year combined with the settlement of two externally funded loans during the period. Depreciation expense also reduced by \$1.24 million compared to 2014/15.

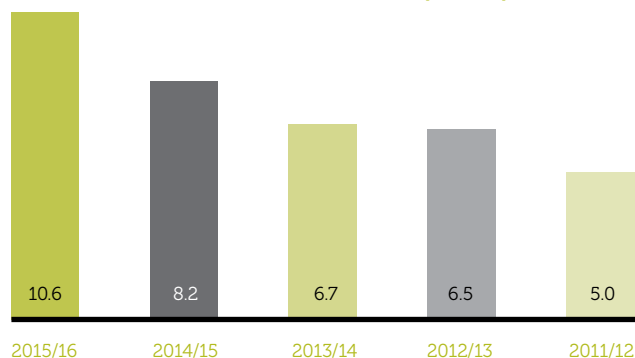


Depreciation and amortisation	32%
Supplies and services	31%
Employee benefits	25%
Borrowing costs	6%
Environmental contribution levy	4%
Net loss on disposal of assets	2%

BUSINESS EXCELLENCE

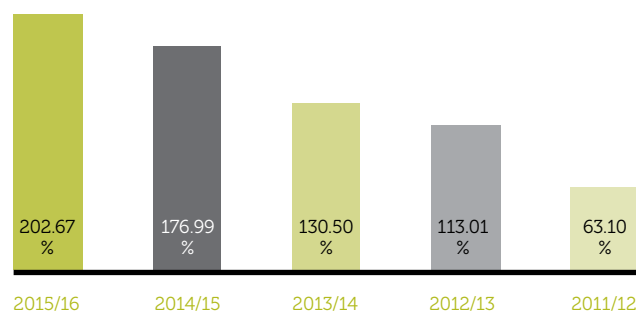
SUMMARY OF FINANCIAL PERFORMANCE INDICATORS

Cash Interest Cover (times)



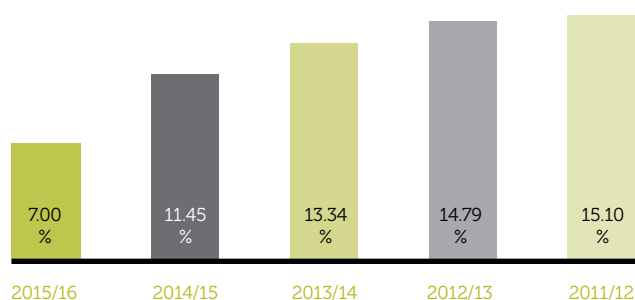
The result is positive against previous years due predominantly to a combination of reducing borrowing costs and higher than expected cash receipts from other entities, which included the settlement of a third party loan during the year. The ratio shows that cash received from operating activities is 10.6 times that of net interest costs paid.

Internal Financing Ratio



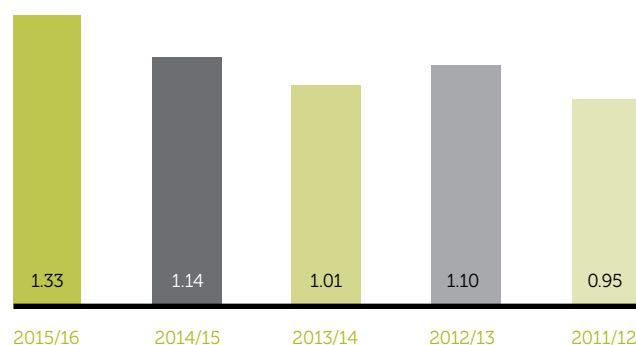
The ratio measures the portion of capital works paid for from operating cash flows. The 2015/16 result indicates that 100 per cent of capital works payments were funded by cash received from operating activities resulting in no requirement to borrow extra funds. The key driver of this is twofold: higher than budgeted cash receipts and lower than anticipated expenditure on capital works.

Gearing Ratio



Interest bearing liabilities reduced by \$12.9 million during 2015/16, resulting in an improved gearing ratio. Also driving the favourable result is the revaluation of assets at 30 June. A decline in the ratio total is a favourable result, as a low ratio provides a positive indication of Wannon Water's long-term liquidity.

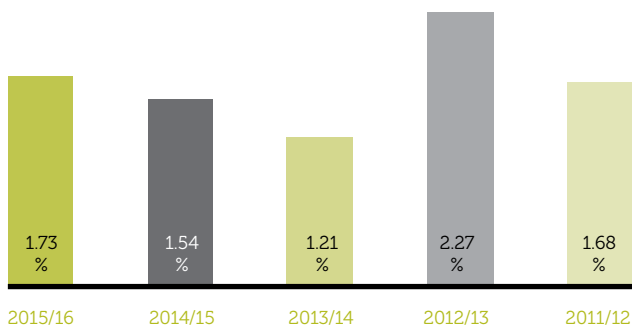
Current Ratio (times)



The ratio measures how comfortably payment of short-term liabilities can be covered by Wannon Water's short-term assets. A ratio result greater than 1.00 times indicates that Wannon Water's short-term assets are greater than its short-term liabilities. The lower than budgeted capital works expenditure throughout the year has resulted in a significant investment balance at 30 June, driving the indicator up.

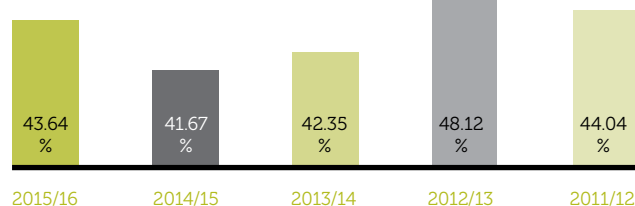
BUSINESS EXCELLENCE

Return on Assets



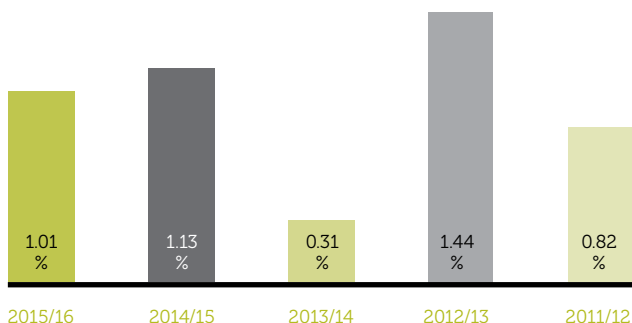
Indicates how much profit Wannon Water has generated from every dollar in assets owned. The ratio is low, as assets owned are significant in value and Wannon Water does not aim to generate large profits.

EBITDA Margin



This indicator measures Wannon Water's operating profitability and its ability to generate an accounting surplus to fund operations and asset renewal. The result indicates that Wannon Water's earnings (before interest, tax, depreciation and amortisation) are less than half the total revenue generated.

Return of Equity



Indicates how much profit Wannon Water has generated from every dollar in ownership interest (equity). The ratio is low as equity is significant in value and Wannon Water does not aim to generate large profits.

SIGNIFICANT CHANGES IN FINANCIAL POSITION DURING THE YEAR

Infrastructure and Land & Building classes of assets were revalued during the 2015/16 reporting period, which has significantly increased the fair value of property, plant and equipment within the Balance Sheet as at 30 June 2016. There were no other significant changes in financial position during the 2015/16 reporting period.

EVENTS SUBSEQUENT TO BALANCE DATE

At the time of printing this annual report Wannon Water was not aware of any events subsequent to balance date that would significantly impact its operations.

BUSINESS EXCELLENCE

CAPITAL EXPENDITURE

Wannon Water completed \$16.87 million of capital works in the reporting period to further enhance the delivery of water, sewerage and trade waste services and to service growth in south-west Victoria.

Projects with capital expenditure greater than \$0.25 million in the reporting period include:

Project	Total project cost (\$ million)	2015/16 expenditure (\$ million)	Future commitments (\$ million)
Wyatt Street, Portland, bore construction	2.86	1.85	1.01
Casterton Water Treatment Plant clarifier construction	1.60	1.51	0.09
Regional sewer rehabilitation works	0.86	0.79	0.07
Portland sewer rehabilitation works	0.83	0.76	0.07
Heywood Water Treatment Plant discharge upgrade	0.70	0.69	0.01
Camperdown water main replacements	0.46	0.41	0.05
Hamilton Water Treatment Plant storage basin upgrade	0.68	0.37	0.31
Liebig and Barbers Lane, Warrnambool, water pump station switchboard upgrade	0.37	0.36	0.01
Warrnambool Water Treatment Plant switchboard replacement	0.58	0.28	0.30

FUTURE CHALLENGES

Wannon Water plans to undertake \$23 million of capital works in 2016/17, fully funded through cash flows from operating activities. However, new borrowings (\$7 million) will be required to fund the majority of maturing borrowings during 2016/17.

ATTESTATION FOR COMPLIANCE WITH STANDING DIRECTION 4.5.5

I, Jacinta Ermacora, certify that the Wannon Region Water Corporation has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Audit & Risk Management Committee has verified this.



Jacinta Ermacora
Chair
Wannon Water
25 August 2016

VALUE FOR CUSTOMERS

CORPORATE OBJECTIVES:

- long-term customer value
- integrated solutions

WANNON WATER STRIVES TO DELIVER LONG-TERM VALUE TO CUSTOMERS BY SUPPLYING WATER-RELATED PRODUCTS AND SERVICES THAT REFLECT CUSTOMER EXPECTATIONS FOR QUALITY, RELIABILITY AND PRICE.

During the reporting period Wannon Water again enhanced customer value by delivering real reductions in customers' water and sewerage bills while maintaining

levels of service. In recent years we have made a concerted effort to deliver business efficiencies and pass the savings on to customers. In addition to reduced prices, Wannon Water also provided the second of four annual \$70 Government Efficiency Rebates to residential water customers in the first quarterly bills of the 2015/16 financial year.

Wannon Water continued to enhance its online customer service smart forms to make it even easier for customers to submit information to Wannon Water. We also commenced a project to identify and implement a full suite of contemporary customer services, beyond traditional customer service interfaces (such as face-to-face, phone, email), that will deliver greater customer value and business efficiency.

SOCIAL SUSTAINABILITY – COMMUNITY SERVICE OBLIGATIONS

Wannon Water provided the following community service obligation rebates and grants to eligible customers:

Community Service Obligations	2015/16 (\$)	2014/15 (\$)	2013/14 (\$)	2012/13 (\$)	2011/12 (\$)
Concession card rebates	3,115,967	2,958,770	2,899,696	2,641,712	2,581,979
Not-for-profit organisation rebates	259,618	259,898	257,705	260,501	257,211
Utility relief grant scheme	88,384	73,141	98,332	57,663	52,502
Water usage life machine rebates	1,185	1,520	660	298	979
Hardship relief grant scheme (Sewerage scheme connections)	0	0	0	0	0
Total	\$3,465,154	\$3,293,329	\$3,256,393	\$2,960,174	\$2,892,671

ASSISTING CUSTOMERS EXPERIENCING DIFFICULTY IN PAYING BILLS

Wannon Water provided tailored assistance to customers in financial hardship, including:

- encouraging customers receiving Centrelink payments to use the Centrepay facility;
- offering flexible installment payment plans to customers who prefer to pay by regular installments;
- assisting customers to complete government-funded rebate and grant scheme applications;
- engaging an independent agency to conduct assessments of customers in hardship to determine their ability to make payments, helping to develop the most appropriate payment plans for those customers;
- providing information on how to reduce household water consumption;
- referring customers to a free independent financial counselling service; and
- waiving interest on overdue charges, providing relief for unexpected high water use, providing bonus credits and waiving long-term debt for customers in genuine financial hardship.

VALUE FOR CUSTOMERS

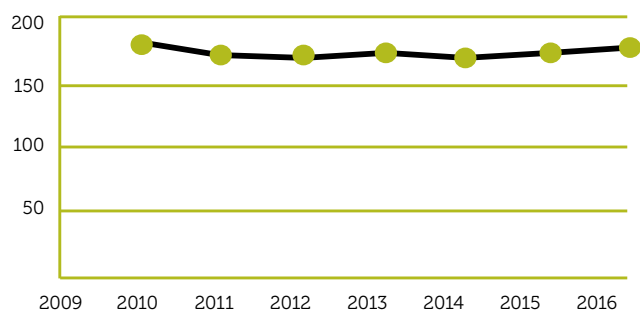
Customer assistance	Number of customers 2015/16	Total value 2015/16 (\$)	Number of customers 2014/15	Total value 2014/15 (\$)	Number of customers 2013/14	Total value 2013/14 (\$)	Number of customers 2012/13	Total value 2012/13 (\$)
High water usage allowances	276	110,377	275	131,202	196	100,747	279	108,888
Hardship rebates	256	61,728	308	70,146	372	113,874	243	88,193
Total	532	\$172,105	583	\$201,348	568	\$214,621	522	\$197,081

WATER CONSUMPTION

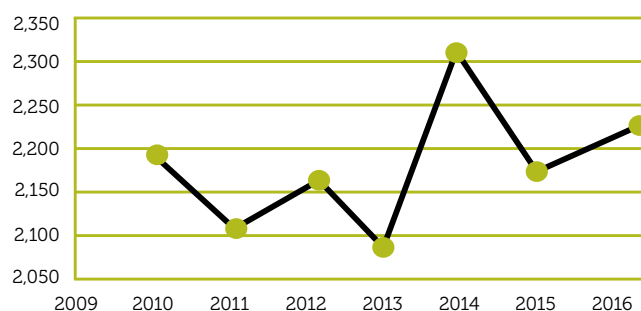
Total water consumption increased by five per cent to 11,976 megalitres in 2015/16 compared to 2014/15.

Residential water use per person per day was 180 litres. When climate-corrected (normalised to be comparable to an average year), residential water use per person per day was 173 litres, up 3.5 per cent compared to 167 litres in 2014/15.

RESIDENTIAL WATER USE (litres/person/day)

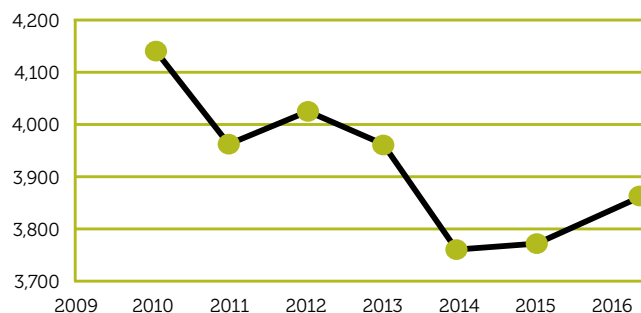


NON-RESIDENTIAL WATER USE (litres/connection/day)



The number of non-residential connections has grown 2.1% since 2010. Usage per connection has been fairly stable.

RURAL WATER USE (litres/connection/day)



The number of rural connections has increased by 2.5 per cent since 2010. Usage per connection has declined by 7% over this period.

VALUE FOR CUSTOMERS

WATER CONSUMPTION BY CITY/TOWN (MEGALITRES)

System	Residential customers		Non-residential customers		Rural customers		Total consumption		5-year average annual consumption (ML)	Per capita daily residential drinking water consumption (L)
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)		
Allansford	314	55.9	38	60.3	9	19.3	361	135.5	118.2	209
Balmoral	106	16.7	29	5.3	17	12.2	152	34.2	32.3	185
Balmoral Pipeline*	-	-	-	-	3	9.3	3	9.3	5.7	-
Camperdown	1,609	256.3	217	111.4	-	-	1,826	367.8	362.4	187
Camperdown Rural	-	-	-	-	393	508.8	393	508.8	528.7	-
Caramut	56	7.7	12	6.3	7	3.3	75	17.4	16.4	162
Caramut Pipeline*	-	-	-	0.0	12	4.4	12	4.4	3.7	-
Casterton	819	117.4	146	60.2	23	9.6	988	187.3	168.9	169
Cavendish	68	8.5	21	3.7	4	1.2	93	13.3	11.8	146
Cobden Rural	-	-	-	-	19	35.4	19	35.4	24.0	-
Cobden Urban	708	115.8	103	511.8	86	90.3	897	717.8	583.8	192
Coleraine	516	61.4	85	21.3	15	6.1	616	88.8	86.6	140
Coleraine Pipeline*	-	-	-	-	4	1.2	4	1.2	0.5	-
Darlington*	19	3.1	3	1.3	-	-	22	4.4	3.5	191
Dartmoor	124	14.2	17	2.1	-	-	141	16.3	14.4	135
Dunkeld	309	60.4	49	19.9	29	12.2	387	92.5	80.0	230
Glenthompson	99	9.2	25	1.3	8	1.0	132	11.4	11.3	109
Hamilton	4,726	733.7	634	218.7	43	42.1	5,403	994.6	990.4	183
Hamilton Pipeline*	-	-	-	-	36	24.8	36	24.8	17.8	-
Heywood	648	94.8	104	29.2	9	2.8	761	126.7	126.4	172
Konongwootong Pipeline*	-	-	-	-	64	48.0	64	48.0	47.0	-
Koroit	720	109.8	54	137.8	2	1.2	776	248.9	209.6	179
Lismore & Derrinallum	346	43.7	75	14.1	77	55.9	498	113.8	110.5	149
Macarthur	142	14.1	35	3.5	2	1.0	179	18.7	19.3	117
Merino	129	18.6	16	3.8	37	20.0	182	42.5	36.0	169
Mortlake	577	87.6	111	55.0	5	15.4	693	157.9	135.9	178
Noorat & Glenormiston	159	30.4	18	21.9	77	69.3	254	121.6	127.1	225
North Otway Pipeline*	-	-	-	-	454	1,369.8	454	1,369.8	1,348.9	-
Penshurst	269	43.4	52	14.5	2	1.0	323	58.9	55.1	190
Peterborough	325	24.5	15	11.6	9	10.4	349	46.6	40.1	89
Port Campbell	256	29.7	40	53.8	-	-	296	83.6	65.8	137
Port Fairy	2,092	290.9	230	282.8	2	0.2	2,324	574.0	592.3	164
Portland	5,081	743.8	700	719.1	6	2.0	5,787	1,464.9	1,454.7	172
Purnim	-	-	-	-	95	20.1	95	20.1	18.6	-
Sandford	59	11.9	4	0.3	28	11.1	91	23.3	21.2	237
Simpson	78	13.4	19	25.8	10	16.4	107	55.7	78.8	202
Tarrington	137	24.5	5	1.7	17	5.5	159	31.7	29.1	210
Terang	938	148.4	145	55.3	1	9.6	1,084	213.3	205.4	186
Timboon	415	63.4	79	44.5	104	82.1	598	189.9	177.8	180
Tullich Pipeline*	-	-	-	-	7	1.7	7	1.7	1.5	-
Warrnambool	14,217	2,262.0	1,554	1,385.6	24	25.4	15,795	3,672.9	3,570.0	187
Willaura Pipeline*	-	-	-	-	30	26.6	30	26.6	19.4	-
Totals	36,061	5,515	4,635	3,884	1,770	2,576	42,466	11,976	11,551	180

* Non-drinking water districts

VALUE FOR CUSTOMERS

TOTAL DRINKING AND NON-DRINKING WATER CONSUMPTION (MEGALITRES)

City/Town	Residential customers		Non-residential customers		Rural customers		Total consumption		5-year average annual consumption (ML)
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	
Drinking water	36,042	5,512	4,632	3,883	1,160	1,091	41,834	10,486	10,103
Non-Drinking Water	19	3	3	1	610	1,486	632	1,490	1,448
Totals	36,061	5,515	4,635	3,884	1,770	2,577	42,466	11,976	11,551

WATER CONSUMPTION BY SYSTEM (MEGALITRES)

System	2015/16 volume (ML)	Change (%)	2014/15 volume (ML)	Change (%)	2013/14 volume (ML)	Change (%)	2012/13 volume (ML)	Change (%)	2011/12 volume (ML)	Change (%)
East Dilwyn	320	13%	283	3%	274	0%	275	3%	266	9%
Grampians	1,238	7%	1,163	2%	1,141	-11%	1,285	10%	1,163	18%
Otway	7,739	5%	7,369	1%	7,282	-1%	7,370	0%	7,349	9%
Tullich	345	16%	298	3%	289	-10%	322	0%	321	27%
West Dilwyn	2,182	2%	2,149	-4%	2,233	1%	2,206	2%	2,168	4%
Other	152	13%	134	-5%	141	-13%	162	20%	136	26%
Totals	11,976	5%	11,397	0%	11,360	-2%	11,620	2%	11,402	10%

NON-REVENUE WATER

In 2015/16 the total volume of non-revenue water was 1,411 megalitres, comprising 1,352 megalitres in leakage, 8 megalitres for firefighting and 51 megalitres in other non-revenue water (estimated). This represents a slight increase in volume from 1,381 megalitres in 2014/15, but a reduction in the percentage of total water use.

CORPORATE WATER CONSUMPTION

Apart from office-based water use, consumption at other Wannon Water sites is difficult to determine and compare, as consumption includes operational usage (at treatment plants, etc.) as well as employee water usage.

Office location	Total full-time equivalent employees	Office space (m2)	Water consumption (kL)	kL/FTE	Water consumption by office space (L/m2)
25 Gateway Rd, Warrnambool ¹	107	3,530	152	1.4	43
15 Townsend St, Portland	6	278.4	78	13.0	280
66 Gray St, Hamilton	6	614.7	124	20.7	202
Total	119	4,423.1	354	3.0	80

¹ Rain water is used for flushing toilets and watering gardens at the Gateway Road office in Warrnambool

VALUE FOR CUSTOMERS

MAJOR CUSTOMER WATER USE

Large non-residential customer water use is reported under section 122ZJ of the *Water Act 1989*.

Customers by volume range

Volume – ML per year	No. customers 2015/16	No. customers 2014/15	No. customers 2013/14	No. customers 2012/13	No. customers 2011/12
200ML to 300ML	1	2	2	2	1
300ML to 400ML	1	1	1	1	1
400ML to 500ML	2	1	2	1	1
500ML to 750 ML	0	0	0	0	1
750ML to 1,000ML	1	1	1	1	0
Greater than 1,000ML	0	0	0	0	0
Total no. of customers	5	5	6	5	4

Major customers' participation in water conservation programs

All major customers of Wannon Water have water conservation programs.

Major customer	Location of customer	Participation in water conservation program
Warrnambool Cheese & Butter*	Allansford	Yes
Alcoa Portland Aluminum Pty Ltd	Portland	Yes
Fonterra Milk Australia Pty Ltd	Warrnambool	Yes
Fonterra Australia Limited	Cobden	Yes
Midfield Meat International Pty Ltd	Warrnambool	Yes

*Warrnambool Cheese & Butter is supplied with non-drinking water.

GROWTH OF WATER SERVICES

Wannon Water provides water services to residential, commercial, industrial and rural customers across 34 customer zones. The total growth in the number of water customers was 0.8 per cent in 2015/16 with 356 new customers being provided with a reticulated water service during the reporting period.

GROWTH OF SEWERAGE SERVICES

Wannon Water provides sewerage services to residential, commercial and industrial customers across 16 sewerage systems. The total growth in the number of sewerage customers was 0.8 per cent in 2015/16, with 301 new customers being provided a reticulated sewerage service during the reporting period.

STRONGER COMMUNITIES

CORPORATE OBJECTIVES:

- partner with stakeholders
- mitigate and adapt to climate change
- enhance the health of natural capital

ENGAGING WITH OUR COMMUNITY

Wannon Water believes in listening to our customers and community and using this information to inform our decision-making. This engagement is essential to understanding customer needs, enhancing the value of the services we provide and strengthening the communities in which we operate.

Our increased focus in this area during the reporting period saw the development of Wannon Water's first Community Strategy, *Partnering for Stronger Communities*, to drive our new corporate vision, 'Beyond water for strong communities'. The strategy aims to identify initiatives that have shared value for Wannon Water and its communities to deliver "win-win" solutions for all. For more about *Partnering for Stronger Communities*, see page 12.

During the reporting period Wannon Water engaged communities on several initiatives, including with:

- neighbouring property owners of the selected site for Wannon Water's Portland Renewable Energy Project;
- property owners neighbouring the Hickford Parade sewer main replacement project in Warnambool;
- the Cobden community regarding Wannon Water's application to the Environment Protection Authority to amend its Amalgamated Licence, allowing Wannon Water to conditionally discharge reclaimed water to the Cobden Creek/Curdies River;
- local government, major customers, community groups, media, government and regulatory bodies, elected representatives and developers as part of a Stakeholder Perceptions Review of Wannon Water. The review found strong support for Wannon Water playing a greater role in the community. The findings helped inform the development of our inaugural Community Strategy (see page 12);
- stakeholders and community members across the service region regarding their views on water and sewerage. This targeted engagement sought to inform the Victorian Government's *Water for Victoria* discussion paper, Wannon Water's Community Strategy and Wannon Water's 2018-2023 pricing submission to the Essential Services Commission; and
- stakeholders in Penshurst after receiving advice from the Country Fire Authority in July 2015 about groundwater contamination at its Penshurst Training Campus. Wannon Water worked to reassure Penshurst customers of our extreme confidence there was no contamination of the urban water supply and fast-tracked precautionary water

tests to categorically confirm no contamination had occurred. While awaiting the results, which ultimately confirmed the safety of the water, Wannon Water worked closely with the local community, providing a regular information and free bottled water for anyone with any concerns. Wannon Water continues to engage with the community on this issue through the Penshurst Local Reference Group.

COMMUNITY ADVISORY COMMITTEE

Wannon Water's Community Advisory Committee is a diverse voluntary group of customers and community members brought together to provide valuable input and advice to help inform Wannon Water's decision-making and quality improvement. The committee provides diverse and informed customer perspectives on policy, planning, community engagement and service issues pertaining to Wannon Water.

Formerly known as the Customer Engagement Committee, the committee underwent a review during the reporting period to expand its charter, purpose and objective, and to better reflect Wannon Water's increased focus on strengthening communities. Wannon Water also commenced a recruitment campaign to fill vacancies following recent resignations and to extend the diversity within the committee.

In 2015/16 the committee provided valuable input to the Portland Renewable Energy Project and associated community engagement program, the development of our Community Strategy and the Contemporary Customer Services project.

As at 30 June the committee members were: John Wilken (Chair), Lou Hollis (Vice Chair), Tim Clingan, Tom Doherty, Alex Dupleix, Joseph Milani, Tom Nieuwveld, and Wannon Water Directors Mick Murphy, OAM and Russell Worland.

CULTURAL HERITAGE

Wannon Water was required to prepare one cultural heritage management plan for the Cassidy's Bridge rising main project in accordance with the *Aboriginal Heritage Act 2006* during the reporting period.

Wannon Water appointed a Cultural Heritage Consultant to prepare the cultural heritage management plan and liaise with Registered Aboriginal Party applicants Gunditj Mirring Traditional Owners Aboriginal Corporation and Eastern Maar Aboriginal Corporation.

STRONGER COMMUNITIES

ENVIRONMENTAL SUSTAINABILITY

During the reporting period Wannon Water continued to reduce water losses and protect water supplies to support our communities.

We also continued our involvement in programs to protect and improve the health of catchment waterways and the biodiversity of operational sites. This includes co-funding and contributing to the development of the Colac Otway Shire's Domestic Wastewater Management Plan, adopted by Council in November 2015. A requirement of the State Environment Protection Policy (Waters of Victoria), the plan protects waterways and water quality by ensuring that unsewered properties, both within and outside water catchment areas, are managed appropriately to prevent wastewater being discharged beyond property boundaries.

SUSTAINABLE WATER USE

Recycling water

Wannon Water continued its focus on shifting recycled water from a low-value product into a beneficial resource.

A dry winter in 2015 followed by a warm summer saw a significant reduction in recycled water storage levels, with some customers being challenged for supply over summer and autumn.

Recycled water was used for agricultural, recreational and industrial purposes, including process water supply to the Mortlake Power Station and Iluka Resources Mineral Sands Separation Plant at Hamilton. Wannon Water also reused 145 megalitres at the screening plant and belt press at the Warrnambool Water Reclamation Plant, offsetting drinking water use for this site.

The volume of recycled water reused during the reporting period was 1,728 megalitres. This represents 19.3 per cent of the overall available supply of treated effluent. Most of the recycled water was used for agriculture over the irrigation season.

Water Supply Demand Strategy

Wannon Water's 50-year Water Supply Demand Strategy identifies the best mix of integrated water solutions to balance the long-term demand for water and the available water supplies for our urban supply systems now and into the future. We work closely with stakeholders to promote sustainable water use in our region to help meet the targets of the strategy and to

support the principles of the Victorian Government's approach to identifying the best source of water for its best use to meet the challenges of climate change, changing rainfall patterns and population growth.

Wannon Water has now commenced work on a revised strategy – renamed the Urban Water Strategy 2017-2065 – which is scheduled for release in March 2017. This new long-term plan for urban water security in south-west Victoria will build on the initiatives of past strategies and include:

- a renewed emphasis on community engagement, consistent with our Community Strategy, on issues such as drought preparedness; and
- work with regional councils to ensure that integrated water management and the future urban footprint is considered in our long-term plans.

Western Region Sustainable Water Strategy

The Victorian Government's Western Region Sustainable Water Strategy (WRSWS), published in November 2011, addresses pressures on water resources, including climate variability and land use change. Its aim is to provide security for urban and rural water users, rivers and aquifers over a 50-year period.

A key action for Wannon Water in this strategy aims to improve low flows in the Gellibrand River in summer. Working with the Corangamite Catchment Management Authority, the assessment of options, including groundwater substitution, has been completed. Wannon Water continues to work with the Corangamite Catchment Management Authority, Southern Rural Water and the Department of Environment, Land, Water and Planning in progressing this initiative.

Drought response

Wannon Water has a Drought Response Plan to protect water resources during severe dry periods. The plan was not invoked during the reporting period. There were no restrictions on recreational playing fields in Wannon Water's service area. Many of these playing fields already use recycled water or other non-drinking water supplies.

Permanent Water Saving Measures and water restrictions

Permanent Water Saving Measures applied across all of Wannon Water's service area in the reporting period and no water restrictions were required.

STRONGER COMMUNITIES

Community education and awareness

Wannon Water actively promoted water efficiency through our schools and community education program, sponsorship of local sustainability events, our website and by promoting the Government-funded Community Rebate Program for customers experiencing hardship and with high water use.

During the reporting period Wannon Water also continued to promote the Choose Tap program to promote the benefits and value of our drinking water supplies.

Understanding the current and future needs of the community is important to setting future directions and input from stakeholders, including customers, communities, local government and Catchment Management Authorities, is used to guide the development of the Water Supply Demand Strategy.

Industry

Wannon Water works with local industry across south-west Victoria to improve water management outcomes, particularly in providing recycled water for the Mortlake Power Station, Iluka Resources and agriculture. Our brine receival facility in Warrnambool provides a local solution for treating salty trade waste from large industries. We reduce demand on drinking water supplies by using recycled water at the screening plant and belt press at the Warrnambool Water Reclamation Plant.

Local government

Wannon Water values its close working relationships with local government. We continue to work closely with Warrnambool City Council to expand the Warrnambool Roof Water Harvesting system to collect rain water from roofs in new subdivisions to augment existing drinking water supplies. The system is being expanded to include new buildings in the Horne Road industrial estate in Warrnambool's east.

During the reporting period Wannon Water worked closely with the Warrnambool City Council to coordinate sewer works within the Simpson Street tunnel with the Council's tunnel rehabilitation works. The storm water tunnel and sewer are critical assets serving east Warrnambool.

Warrnambool Roof Water Harvesting Project

Wannon Water's award-winning Warrnambool Roof Water Harvesting Project continues to demonstrate the benefits of integrated water management and the use of alternative sources of water to help meet the challenges

of climate change adaptation. In the reporting period, this innovative system harvested 20 megalitres of roof water from the roofs of connected houses, an increase on the 11.2 megalitres harvested in 2014/15.

This system is progressively being expanded as development occurs in Warrnambool's main northern growth corridor over the next 20 years. The roofs of some 3,000 new homes to be constructed will form an urban catchment that is expected to contribute 471 megalitres of water per year into the Brierly Basin and then treated at the Warrnambool water treatment plant for urban drinking water.

During the reporting period, Wannon Water worked with the developers of the Horne Road Industrial Estate in East Warrnambool to design the pipe network and pumping station to collect roof water from industrial sheds built on stage one (22 lots) of the development. The construction works are planned for the 2016/17 financial year.

BIODIVERSITY AND NATURAL ASSET MANAGEMENT

Wannon Water is committed to becoming a more environmentally sustainable business and recognises that it is through our people and practices that this commitment is delivered. This commitment is embedded in our corporate objectives and includes enhancing the health of the natural capital (water, biodiversity, soil and air) within our region.

During the year Wannon Water adopted a new Environmental Policy, which reflects the continual improvement of our efforts as a sustainable business and the changing emphasis on different aspects of environmental stewardship. Our Environmental Management System was externally audited and recertified to the ISO14001 standard as an essential component of our Integrated Management System approach.

Wannon Water continues to support the strategic approach to the management of waterways in our region consistent with the Victorian Waterway Management Strategy and Regional Catchment and Waterway Strategies. We have well established partnerships with the Corangamite and Glenelg Hopkins Catchment Management Authorities. As part of our response to the *Water for Victoria* Discussion Paper we asked our community to tell us their views about waterway and catchment health and included their response in our submission.

STRONGER COMMUNITIES

Wannon Water is now established as a key participant in natural resource management in our region. Our reputation continues to be as a lead agency in biodiversity conservation, fire management and adherence to the native vegetation management principles relating to asset creation and replacement projects.

During the year, we undertook a range of projects to improve the health and sustainable productivity of regional catchments and landscapes. These works were undertaken at high priority sites, including land around reservoirs, and water and sewerage treatment facilities, in partnership with local agencies and contractors. This includes Wannon Water's partnership with Warrnambool Coastcare Landcare Network to host a community event to replace native vegetation along the length of a sewer alignment to protect local sand dunes and provide habitat for native fauna. Wannon Water also reviewed the draft *Protecting Victoria's Environment - Biodiversity 2036* strategy, which sets a new direction for the management of native plants and animals in Victoria.

Wannon Water also continued ongoing soil and groundwater monitoring programs to ensure the application of recycled water to farms is being managed sustainably.

Further work was undertaken at the Konongwootong Reservoir as part of a three-year project funded by the Victorian Government Large Fishing Grant program. Upgrades to access points, parking and boat launching facilities were completed consistent with the master plan for this site.

Wannon Water continues to manage its operations to support the objectives of the State Environmental Protection Policy (Waters of Victoria) and ongoing compliance with the licence conditions for our water reclamation facilities, including the discharge of recycled water to stream from the Simpson Water Reclamation Plant.

AQUACULTURE PROJECT

Wannon Water is undertaking a research project using goldfish to assist with sludge mitigation in lagoon-based water reclamation plants.

Past trials show goldfish thrive on consuming and removing nutrients and sludge from sewage. The initiative has the potential to aid the treatment of sewage, reduce carbon emissions and reduce operating costs across the water industry.

Wannon Water owns and operates a fish hatchery in Warrnambool as part of this project. One million advanced fry were produced from the hatchery for stocking into the juvenile production facility at Hamilton. The juvenile goldfish were then stocked into lagoons at the Port Campbell and Hamilton water reclamation plants or sold into the aquarium market.

In late 2015 Wannon Water commenced a research trial at the Port Campbell Water Reclamation Plant, where there are twin primary lagoons both fed equally with raw sewage. One lagoon has been stocked with 68,000 goldfish, the other maintained as a control. This trial, scheduled for completion in mid-2017, will enable a direct comparison between lagoons to determine the impact of goldfish on sludge volume.

The Hamilton Water Reclamation Plant has been stocked with 150,000 goldfish in an ongoing research project at the site.

The aquaculture research project has the potential to aid sewage treatment across the water industry. Wannon Water is currently seeking industry partners to assist with the completion of this research and to build further on the successful spawning of hybrids to develop a superior fish for sewage remediation.

STRONGER COMMUNITIES

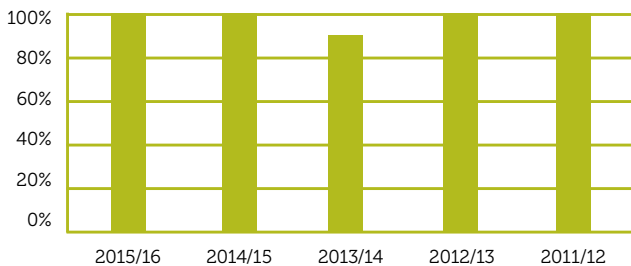
BIOSOLIDS REUSE

Biosolids are nutrient-rich organic material processed from treated sewage sludge (the solid component of sewage removed during treatment).

The sludge is dried and composted for at least three years to satisfy guidelines set by the Environment Protection Authority. It then becomes known as biosolids and is a product ready for beneficial reuse as a soil conditioner on local farms. Once processed, biosolids look, smell and feel like dark, rich organic soil.

During the reporting period, Wannon Water transported sludge from the Warrnambool and Port Fairy water reclamation plants to its biosolids treatment facility at Camperdown, and reused 100 per cent of available biosolids by applying 2,660 dry tonnes to farm land.

Percentage of Biosolids Used

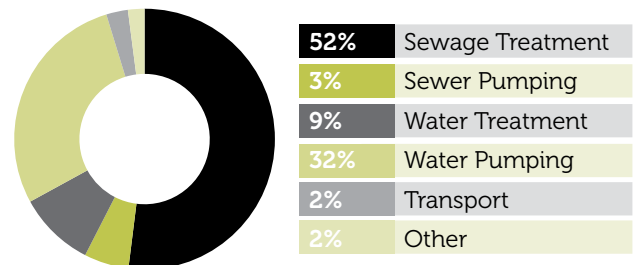


GREENHOUSE GAS EMISSIONS

Wannon Water produced 32,970 tonnes of greenhouse gas emissions during the reporting period, maintaining compliance with our 10 per cent greenhouse reduction target compared to the 2006/07 base year.

Wannon Water reduced emissions from its transport fleet due to operational efficiency improvements. Emissions from water treatment and water supply systems increased due to low rainfall and high temperatures in the service region. Sewage treatment emissions reduced slightly.

Wannon Water resolved to proceed with a further two renewable energy projects to reduce operating costs, increase efficiency and deliver value for our customers. This brings the total to three major renewable energy projects that are expected to reduce Wannon Water's greenhouse emissions by approximately 3,100 tonnes per year.



Emission by activity	2015/16 (t CO ₂ -e)	2014/15 (t CO ₂ -e)	2013/14 (t CO ₂ -e)	2012/13 (t CO ₂ -e)	2011/12 (t CO ₂ -e)
Water treatment	13,530	12,143	10,628	13,680	16,984
Sewage treatment	18,132	18,147	16,897	15,371	15,271
Transport	773	807	850	832	829
Other (inc. office energy use)	535	628	720	703	668
Reductions / offsets	0	0	0	0	0
Total	32,970	31,725	29,095	30,586	33,753

Net energy consumption	2015/16 (MJ/ML)	2014/15 (MJ/ML)	2013/14 (MJ/ML)	2012/13 (MJ/ML)	2011/12 (MJ/ML)
Water supply	3,599	3,250	2,879	3,802	4,070
Sewage treatment	3,355	3,510	3,499	4,688	5,146

STRONGER COMMUNITIES

BULK ENTITLEMENT

A bulk entitlement is a legal right to water granted by the Minister for Water under the *Water Act 1989*.

Bulk entitlements are commonly held by water corporations to:

- provide a clearly defined property right to water
- provide flexibility to manage water within the entitlement
- provide a basis for sharing limited water resources, protecting the entitlements of other users and protecting in-stream values

- facilitate water trading between user groups to ensure appropriate redistribution over time to finite water resources
- allow specific entitlements for environmental purposes.

Wannon Water operates under seven surface water bulk entitlements, each containing provisions on minimum passing flows and maximum daily extractions from waterways. Wannon Water achieved 100 per cent compliance with these requirements in 2015/16.

Summary Of Bulk Entitlements 2015/16:

Bulk entitlement	Volume of entitlement (ML)	Volume extracted in 2015/16 (ML)	Percentage of bulk entitlement extracted in 2015/16	Water in storage at 30 June 2016 (ML)
Otway System Conversion Order	12,580	8,927.2	71.0	2,017.9
Hamilton Conversion Order	3,435	1,504	42.6	1,779.6
Coleraine, Casterton & Sandford Conversion Order	855	230.4	26.9	1,414.5
Dunkeld Conversion Order	170	0	0	76.2
Glenhompson Conversion Order	94	8.9	9.5	38.7
Wimmera and Glenelg Rivers - Wannon Water Order 2010	2,120	73.3	3.5	4,368
Willaura System Conversion Order 2012	58	46.8	80.7	N/A

Bulk Entitlement (Otway System) Conversion Order 1998

12.1(e) - approval, amendment and implementation of programs and proposals under clauses 8, 9 and 11	Programs and proposals implemented
12.1(f) - volume taken 2015/16	8,927.24 ML
12.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
12.1(h) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
12.1(i) - any amendment to this bulk entitlement	Nil
12.1(j) - any new bulk entitlement granted to the corporation with respect to the system	Nil
12.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
12.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

STRONGER COMMUNITIES

Bulk Entitlement (Hamilton) Conversion Order 1997

12.1(d) - approval, amendment and implementation of programs and proposals under clauses 8, 9 and 11	Programs and proposals implemented
12.1(e) - volume taken 2015/16	1,504 ML
12.1(f) - the amount in, credited to and taken from the drought reserve	520 ML in drought reserve; no water credited to or taken
12.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
12.1(h) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
12.1(i) - any amendment to this bulk entitlement	Nil
12.1(j) - any new bulk entitlement granted to the corporation with respect to the system	Nil
12.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
12.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

Bulk Entitlement (Dunkeld System) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2015	8.02 m – 76.2 ML
13.1(c) - volume taken 2015/16	0 ML
13.1(d) - approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Programs and proposals implemented
13.1(e) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) - any amendment to this bulk entitlement	Nil
13.1(h) - any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

STRONGER COMMUNITIES

Bulk Entitlement (Glenthompson) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2016 Glenthompson Reservoir Railway Reservoir	1.7 m – 38.7 ML 0 m – 0 ML
13.1(c) - volume taken 2015/16	8.9 ML
13.1(d) - approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Programs and proposals implemented
13.1(e) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) - any amendment to this bulk entitlement	Nil
13.1(h) - any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

Bulk Entitlement (Coleraine, Casterton and Sandford) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2016	4.5 m – 1,414.5 ML
13.1(c) - volume taken 2015/16	230.42 ML
13.1(d) - approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Programs and proposals implemented
13.1(e) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) - any amendment to this bulk entitlement	Nil
13.1(h) - any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

STRONGER COMMUNITIES

Bulk Entitlement (Wimmera and Glenelg Rivers – Wannon Water) Conversion Order 2010

13.1(b) – volume taken at each of the off-take points for 2015/16	24.28 ML to Hamilton Pipeline; 49.0 ML to Balmoral
13.1(c) – volume and location of any water taken under this bulk entitlement at any other works of Wannon Water	Nil
13.1(d) – final allocation to Wannon Water for the year under this Order	2,120 ML
13.1(e) - approval, amendment and implementation of the metering program under sub clause 12.4	Programs and proposals implemented
13.1(f) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(g) - any bulk entitlement, licence or water right temporarily or permanently transferred to Wannon Water supply systems under this Order	Nil
13.1(h) - any amendment to this bulk entitlement	Nil
13.1(i) - any new bulk entitlement granted to Wannon Water with respect to the Wannon Water supply system under this Order	Nil
13.1(j) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(k) - any difficulties experienced or anticipated by the corporation in complying with this Order and any remedial action taken or proposed	Nil

Bulk Entitlement (Willaura System - Wannon Water) Conversion Order 2012

10.1(b) – annual amount of water taken under this entitlement for 2015/16	46.8 ML
10.1(c) – approval, amendment and implementation of the metering program approved under sub clause 9.4	Programs and proposals implemented
10.1(d) – any temporary or permanent transfer of all or part of this bulk entitlement	Nil
10.1(e) - any bulk entitlement, licence or water right, temporarily or permanently transferred to Wannon Water for the Willaura supply system	Nil
10.1(f) - any amendment to this bulk entitlement	Nil
10.1(g) - any new bulk entitlement granted to Wannon Water with respect to the Willaura System	Nil
10.1(h) - any failure by Wannon Water to comply with any provision of this Order	Nil
10.1(i) - any existing or anticipated difficulties experienced by Wannon Water in complying with this Order and any remedial action taken or proposed by Wannon Water	Programs and proposals implemented

STRONGER COMMUNITIES

GROUNDWATER LICENCES

No groundwater licences were traded during the reporting period. Wannon Water holds no licences for Managed Aquifer Recharge.

Locality	Licence No.	Entitlement (ML)	Usage 2015/16 (ML)
Albert Park	BEE024155 (1152971)	750	337.97
Bullawin	BEE026192 (911313)	1,102	0
Caramut	BEE021943 (924563)	50	31.52
Carlisle	BEE029488 (9016487)	1,800	34.27
Casterton	BEE022551 (885355)	1,000	440.17
Condah	4001451	N/A	0
Curdie Vale	904309	2,150	0
Darlington	BEE021827 (1082159)	10	4.37
Dartmoor	9016786	150	21.58
Heywood	900184	333	163.61
Koroit	BEE029066 (899038)	524	4.15
Macarthur	BEE021944 (4001451)	130	23.55
Mocamboro	BEE026109 (903701)	100	0
Mortlake	BEE030858 (907049)	335	14.40
Penshurst	BEE036146 (914444)	250	95.39
Port Campbell	BEE026252 (904309)	1,009	365.40
Port Fairy	890472	1,026	623.45
Portland	923621	6,222	1876.87

ORGANISATIONAL CAPABILITY

CORPORATE OBJECTIVES:

- invest in employees
- build an inclusive culture

OUR EMPLOYEES

At Wannon Water, we are passionate about the people we employ. We know that a positive culture delivers a great working environment and provides the foundation for a high-performing, team-oriented workplace, which results in exceptional outcomes for our employees, our customers and the communities we serve.

To achieve this, Wannon Water adopts a holistic approach, including all aspects of the employment life cycle, workplace flexibility, recognition and reward, equity, professional development, diversity and inclusion.

Employment and conduct principles

Wannon Water is compliant with the *Public Administration Act 2004*, and is committed to applying merit and equity principles when appointing employees. The selection and promotion processes ensure applicants are assessed and evaluated fairly and equitably against key selection criteria and other accountabilities without discrimination. Wannon Water's code of conduct reinforces the expectations of employment, including making decisions and providing advice consistent with human rights.

Workforce statistics

The number of full-time equivalent employees was reduced by 1 in the reporting period, mainly through attrition. Employees have been correctly classified in workforce data collections.

	2015/16	2014/15
Full-time male	136	137
Full-time female	39	37
Part-time male	4	5
Part-time female	17	16
Casual male	2	2
Casual female	0	1
Total employees	198	198
Full-time equivalent	188	189
% Full-time equivalent female	26	25

Note:

- Excludes seven non-executive Board Directors appointed by State Government

Employee classification	2015/16 (FTE)	2014/15 (FTE)
Executive	5	5
Manager	24	22
Professional	18	18
Technical	27	31
Production & maintenance	76	75
Administrative	38	38
Total	188	189

Notes:

- Excludes seven non-executive Board Directors appointed by State Government
- FTE refers to full-time employee equivalent

Wannon Water has three participants in an Engineering Scholarship program.

During the reporting period Wannon Water provided 10,946 hours (55 hours per employee) of employee learning and development.

INCLUSION AND DIVERSITY

Wannon Water is committed to an inclusive workplace that embraces and promotes diversity and where everyone is treated with respect and feels valued. In May 2016, Wannon Water adopted its first Inclusion and Diversity Policy, establishing principles to guide our actions and behaviours to achieve this commitment.

We understand that each person is different and that our collective diversity shapes our capability. Research shows that a more inclusive and diverse workforce will increase organisational effectiveness, lift employee satisfaction, motivation and commitment, enhance productivity and help achieve corporate objectives. A diverse workplace that reflects the diversity in our communities also helps us relate better and make better business decisions for our communities. We believe inclusion and diversity is good for business as well as being right and just.

Wannon Water is taking a systematic approach to implementing the policy to ensure our inclusion and diversity objectives are embedded within our culture, systems and processes. This includes preparing a gender diversity plan by September 2016 and an inclusion and diversity plan by June 2017.

ORGANISATIONAL CAPABILITY

OCCUPATIONAL HEALTH & SAFETY (OH&S)

Wannon Water has a strong commitment to the health and safety for all employees and contractors involved in its business. Wannon Water's OH&S management system is continually reviewed, updated and audited to reflect current best practice. As such the management system was re-certified to the AS/NZS 4801 standard following extensive auditing by an external accredited auditing body in May 2016.

The strength of the OHS management system is reflected by the strong safety culture, an integral part of which is the link between personal wellbeing and working life at Wannon Water promoted through our employee health and wellbeing program.

The program proactively promotes diverse health and wellbeing themes coinciding with national and workplace events. Education sessions and activities related to each theme are available to all employees and during the reporting period included exercise and fitness, diet and nutrition, and mental health.

Complementing the health and wellbeing program, Wannon Water also continued its award-winning WorkSafe HomeSafe campaign, which personalises OH&S for employees by:

- aligning OH&S at Wannon Water with key messages;
- creating an easily recognisable and understandable safety 'brand'
- continually promoting Wannon Water's safe work messages; and
- linking workplace safety to employees' quality of life.



OH&S TRAINING

Wannon Water continued to invest in OH&S training in 2015/16, including:

- confined space entry;
- First Aid;
- asbestos removal;
- asbestos supervisors;
- safe driver training;
- trenching & shoring;
- back hoe training;
- traffic management training;
- agricultural chemical users;
- prescribed industrial waste training;
- train track safety training; and
- construction induction.

ORGANISATIONAL CAPABILITY

PERFORMANCE MEASURES

Wannon Water's key OH&S performance indicators align with the standards set out in the workplace injury and disease recording standard AS 1885.1—1990. For the reporting period, Wannon Water was able to reduce the Lost Time Injury Frequency Rate by over 50%.

OH&S Indicators	2015/16	2014/15	2013/14	2012/13	2011/12
Lost Time Injuries (Number)	3	7	3	2	3
Lost Time Injury Frequency Rate (LTIFR - LTI occurrences per one million hours worked)	9.08	20.6	8.5	6	9
Lost Time Injury Severity Rate (Days)	8.3	3	16	17	7

Incidents	2015/16	2014/15	2013/14
No. of Incidents	32	39	44
Rate per 100 FTE	16.16	20.63	21.46

Claims	2015/16	2014/15	2013/14
Number of Lost Time Standard Claims	1	3	0
Number of Lost Time Standard Claims per 100 FTE	0.53	0.69	0
Average cost per claim	\$748	\$7,225	\$0.00

CORPORATE INFORMATION

LEGISLATIVE COMPLIANCE

Protected Disclosures Act

The *Protected Disclosure Act* 2012 enables people to make disclosures about improper conduct by public officers and public bodies. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

Wannon Water is a "public body" for the purposes of the Act.

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a 'protected disclosure'?

You can make a protected disclosure about Wannon Water or its board members, officers or employees by contacting IBAC on the contact details provided below.

Please note that Wannon Water is not able to receive protected disclosures.

How can I access Wannon Water's procedures for the protection of persons from detrimental action?

Wannon Water has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about Wannon Water or its employees. You can access Wannon Water's procedures on our website at: www.wannonwater.com.au.

Contacts

Independent Broad-Based Anti-Corruption
Commission Victoria
Address: Level 1, North Tower, 459 Collins Street,
Melbourne Victoria 3000.
Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001
Internet: www.ibac.vic.gov.au
Phone: 1300 735 135

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

Disclosures under the Protected Disclosure Act 2012
There were no reported disclosures under the Act.

Freedom of Information Act

Wannon Water is committed to ensuring information is made accessible in accordance with the *Freedom of Information Act* 1982.

In 2015/16, Wannon Water received one request for access to documents under the *Freedom of Information Act* 1982 and granted access in full.

Applications for access to information under the *Freedom of Information Act* 1982 must be made in writing, addressed to:

Steven Kearns
Freedom of Information Manager
Wannon Water
PO Box 1158
Warrnambool Vic 3280

The application must describe the documents to which access is sought and include an application fee of \$2790 (further charges may apply). Fees and charges levied under the *Freedom of Information Act* 1982 are not subject to GST.

Information Privacy Act

Wannon Water complies with information privacy principles set out in the *Privacy and Data Protection Act* 2014. A Personal Privacy Charter provides guidance to our employees, contractors and consultants to ensure that private information is protected from unauthorised access or disclosure.

A copy of this charter can be viewed at www.wannonwater.com.au.

CORPORATE INFORMATION

Other information

The following information is available on request from Wannon Water, subject to relevant legislation:

- 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 Wannon Water about itself, and how these can be obtained;
- details of changes in prices, fees, charges, rates and levies charged by Wannon Water;
- details of any major external reviews carried out on Wannon Water;
- details of major research and development activities undertaken by Wannon 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 Wannon Water to develop community awareness of Wannon Water 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 Wannon Water and details of time lost through industrial accidents and disputes;
- a list of major committees sponsored by Wannon Water, the purposes of each committee and the extent to which the purposes have been achieved; and
- details of all consultancies and contractors, including consultants/contractors engaged, services provided and expenditure committed to for each engagement.

Wannon Water provides free access to a comprehensive range of information on its website, www.wannonwater.com.au.

Building Act

Wannon Water complied with the building and maintenance provisions of the *Building Act 1993*.

Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires public bodies to report on the implementation of the Victorian Industry Participation Policy (VIPP).

Contracts commenced during 2015/16

Wannon Water commenced two contracts in 2015/16 totaling \$4.27 million where VIPP Plans were required. Both projects are in regional Victoria.

The outcomes expected from the implementation of the VIPP to these projects where information was provided are as follows:

- an average of 92 per cent of the total value of the contracts; and
- the retention of six full-time equivalent jobs

Contracts completed during 2015/16

No contracts were completed in 2015/16 to which the VIPP applied. The outcomes reported by contractors will be included in future reporting periods following completion of the contracts.

During the reporting period seven small-to-medium sized businesses prepared VIPP Plans and there were no interaction reference numbers undertaken with the Industry Capability Network.

CORPORATE INFORMATION

OTHER DISCLOSURES

National competition policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. The National Competition Policy aims to improve the performance of Australian businesses by exposing them, where applicable, to the pressure of competitive markets.

The National Competition Policy continues to be implemented, and the principle of competitive neutrality applied by Wannon Water in its business undertakings.

Major contracts

No contracts greater than \$10 million were entered into.

Consultancy expenditure

Consultants costing less than \$10,000

Wannon Water engaged seven consultancies in 2015/16 where the total fees payable to the consultants were less than \$10,000. Total expenditure on these consultants was \$32,724 (excluding GST).

Consultants costing more than \$10,000

Three major consultancies were engaged in 2015/16 with a total value of \$192,851.

Consultant	Purpose of consultancy	Total project fee (exc. GST) \$'000	Expenditure 2015/16 (exc. GST) \$'000	Future expenditure (exc. GST) \$'000
Marchment Hill Consulting Pty Ltd	Benchmarking project for maintenance excellence	421	75	Nil
Marchment Hill Consulting Pty Ltd	Asset systems review	31	31	Nil
GHD Pty Ltd	Dam safety management	583	73	116
Odysseus-imc Pty Ltd	Sewer decay curves	14	14	Nil

Information and Communication Technology (ICT) expenditure

For the 2015/16 reporting period, Wannon Water had a total ICT expenditure of \$3,282,896 with the details shown below.

(\$'000)

Business As Usual (BAU) ICT expenditure (Total)	Non-Business As Usual (non-BAU) ICT expenditure (Total = operational expenditure and capital expenditure)	Non-BAU ICT expenditure • Operational expenditure	Non-BAU ICT expenditure • Capital expenditure
2,523	760	0	760

- "ICT expenditure" refers to Wannon Water'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 Wannon Water's current ICT capabilities.
- "BAU ICT expenditure" is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

PERFORMANCE REPORT

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	8.2 times	10.6 times	8.5 times	29.3%	1a	24.7%	1b
F2	Gearing ratio Total debt / total assets x 100	11.5%	7.0%	11.8%	-39.1%	2a	-40.7%	2b
F3	Internal financing ratio Net operating cash flow less dividends / net capital expenditure x 100	177.0%	202.7%	107.7%	14.5%	3a	88.2%	3b
F4	Current ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.2 times	1.3 times	1.0 times	8.3%		30.0%	4b
F5	Return on assets Earnings before net interest and tax / average assets x 100	1.5%	1.7%	1.5%	13.3%	4a	13.3%	5b
F6	Return on equity Net profit after tax / average total equity x 100	1.1%	1.0%	1.0%	-9.1%		0.0%	
F7	EBITDA margin Earnings before interest, tax, depreciation and amortisation / total revenue x 100	41.5%	43.6%	40.0%	5.1%		9.0%	

Notes:

- 1a/ 1b The cash interest cover ratio is favourable to both target and the prior year. The result reflects higher than budgeted cash receipts for the year and also reduced interest payments due to lower than expected capital works payments and due to the unbudgeted settlement of debt during the year.
- 2a/ 2b The gearing ratio is favourable to target and the prior year due to reduced debt levels and increased asset values. The reduction in total debt compared to budget and the prior year, is due to both improved cash inflows from operating activities and a reduction in payments for capital works. The upward revaluation of assets for the 2015/16 year has also contributed to the favourable result.
- 3a/ 3b The internal financing ratio is favourable to target and the prior year. The result reflects improved cash inflows from customer receipts and lower than expected payments for capital works.
- 4a/ 5b The return on assets ratio is favourable compared to target and the prior year. This result is due to increased earnings driven by both increased revenue from higher water usage and lower operational expenditure.
- 4b The current ratio is favourable to target due to higher than anticipated cash inflows from operations and lower payments for capital works, resulting in a higher than expected cash balance held in Wannon Water's investment account with the Treasury Corporation of Victoria at the end of June.

PERFORMANCE REPORT

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 No. of customers receiving 5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers x 100	0.0%	0.0%	0.0%	0.0%		0.0%	
WS2	Interruption time Average duration of unplanned water supply interruptions	91.0 Minutes	104.0 Minutes	80.0 Minutes	14.3%	5a	30.0%	6b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions, restored within 5 hours / total unplanned water supply interruptions x 100	95.0%	95.0%	98.0%	0.0%		-3.1%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers, contained within 5 hours / total sewer spills from reticulation and branch sewers x 100	100.0%	94.0%	99.0%	-6.0%	6a	-5.1%	7b
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions, restored within 5 hours	100.0%	97.0%	99.0%	-3.0%		-2.0%	

Notes:

- 5a The unfavourable variance compared to the prior year is attributable to both the average time for individual interruption events increasing, as well as six events in 2015/16 that had significantly longer repair times (compared to four significant events in 2014/15). The proactive maintenance program continues to be a focus to reduce interruption times and Wannon Water has established a Maintenance Coordination Committee to further progress this.
- 6a/ 7b The unfavourable variance compared to the prior year result and the target is attributable to six cases in 2015/16 where the spill was not contained within five hours. Varying circumstances contributed to containment time not being met, including the significance of the blockages, severe weather conditions and cases being incorrectly reported to Wannon Water. The proactive maintenance program continues to be a focus to reduce frequency of interruptions and Wannon Water has established a Maintenance Coordination Committee to further progress this.
- 6b The unfavourable variance compared to target is attributable to six significant events during 2015/16 that required longer than usual repair times. The proactive maintenance program continues to be a focus to reduce interruption times and Wannon Water has established a Maintenance Coordination Committee to further progress this.

PERFORMANCE REPORT

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 No. of complaints per 100 customers	0.04	0.33	0.38	725.0%	7a	-13.2%	8b
CR2	Sewerage service quality complaints No. of complaints per 100 customers	0.01	0.02	0.02	100.0%	8a	0.0%	
CR3	Sewage odour complaints No. of complaints per 100 customers	0.01	0.03	0.02	200.0%	9a	50.0%	9b
CR4	Billing complaints No. of complaints per 100 customers	0.18	0.14	0.17	-22.2%	10a	-17.6%	10b

Notes:

- 7a The high unfavourable variance compared to the prior year is attributable to the change in definition of a 'complaint'. For 2015/16 a complaint includes 'any customer contact with respect to water quality', not just in regards to colour, taste and odour.
- 8a The number of sewerage service quality complaints is unfavourable compared to the prior year, due to the low number of complaints in the 2014/15 year. In 2014/15, Wannon Water received only two complaints compared to six in 2015/16 (the average number of complaints for the last three years has been six). The proactive maintenance program continues to be a focus to reduce service complaints as much as practical.
- 8b The favourable variance to target is attributable to an overall reduction in customer complaints for the year, in particular in relation to complaints not associated with colour, taste and odour. We also note that the target reported above, of 0.38, is different to that reported in Wannon Water's 2015/16 Corporate Plan. The Corporate Plan was submitted prior to the definition of a 'complaint' being amended, therefore the target was re-calculated in August 2015 to reflect the change.
- 9a/9b The number of sewage odour complaints is an unfavourable variance to both last year and target, due to an increase in complaints compared to both last year and the long term average. There were twelve complaints in 2015/16, from various districts and regarding various issues (ie. Works being completed, odours from Wannon Water assets and non-specific complaints). Wannon Water continues to be proactive regarding odour complaints, including installation of sensors and filters and manhole replacement program.
- 10a/10b The number of billing complaints is favourable compared to both the prior year and target and can be attributed to the continued high performance of the customer relations team and the continued reduction in tariff prices.

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 re-use volume (end use)	20.6%	19.3%	17.0%	-6.3%	11a	13.5%	11b
E2	Total net CO2 emissions Net tonnes CO2 equivalent	31,725	32,970	32,053	3.9%		2.9%	

Notes:

- 11a The unfavourable variance compared to the prior year, can be attributed to a decrease in recycled water used by agricultural customers in 2015/16. Due to the drier conditions this year, the volume of recycled water produced was lower, therefore impacting the volume that could be supplied to agricultural customers.
- 11b The favourable variance compared to target can be attributed to an increase in recycled water used by urban and industrial customers in 2015/16. While this year was drier weather conditions than the previous year, therefore reducing the volume of recycled water produced, urban and industrial customers increased their usage due to these drier conditions, and were able to do so due to their proximity to a large volume of recycled water that would otherwise have been discharged through an ocean outfall.

CERTIFICATION

CERTIFICATION OF PERFORMANCE REPORT FOR 2015/16

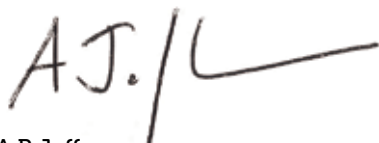
We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2015/16 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister 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/or between the actual results in the current year and the previous year.

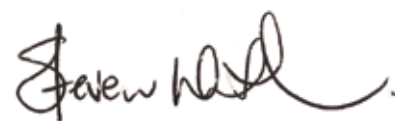
As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



J A Ermacora
Chair
Wannon Region Water Corporation



A R Jeffers
Managing Director
Wannon Region Water Corporation



S J Waterhouse
Chief Finance & Accounting Officer
Wannon Region Water Corporation

Dated this 25th day of August 2016

AUDITOR-GENERAL'S REPORT

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010

Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Wannon Region Water Corporation

The Performance Report

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

The Board Members' Responsibility for the Performance Report

The board members of Wannon Region 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.

AUDITOR-GENERAL'S REPORT

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 all applicable independence requirements of the Australian accounting profession.

Opinion

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

MELBOURNE
26 August 2016


for Dr Peter Frost
Acting Auditor-General

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COMPREHENSIVE OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
Revenue	1(c)		
Service charges	3	37,392	36,937
Usage charges	3	33,092	33,169
Government grants and contributions	3	82	74
Interest	3	232	152
Developer and customer contributions	3	620	1,916
Assets received free of charge or for nominal consideration	3	2,397	869
Other income	3	3,191	3,669
Total Revenue		77,006	76,786
Expenses			
Employee benefits	1(d), 4(b)	(17,568)	(17,371)
Depreciation	1(d), 4(b)	(20,803)	(21,915)
Amortisation	1(d), 4(b)	(902)	(1,032)
Supplies and services	1(d), 4(b)	(21,343)	(22,679)
Finance costs	1(d), 4(b)	(4,400)	(4,875)
Net gain / (loss) on disposal of non-current assets	1(d), 4(a)	(1,288)	(1,398)
Environmental contribution	1(d)	(2,557)	(2,557)
Total Expenses		(68,861)	(71,827)
Net result before tax		8,145	4,959
Income tax (expense) / revenue	5(a)	(2,643)	334
Net result for the period		5,502	5,293
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Gain on revaluation of property plant and equipment		192,318	2,839
Income tax relating to gain on revaluation of property, plant and equipment		(57,695)	(852)
Net gain on revaluation of property, plant and equipment	16	134,623	1,987
Comprehensive result		140,125	7,280

The above Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

AS AT 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	1(e), 6	6,875	1,649
Receivables	1(e), 7	14,971	15,948
Inventories	1(e), 8	641	624
Prepayments	1(e), 9	969	825
Total current assets		23,456	19,046
Non-current assets			
Receivables	1(e), 7	9,903	13,258
Property, plant and equipment	1(e), 10	736,783	548,189
Intangible assets	1(e), 11	6,222	6,628
Total non-current assets		752,908	568,075
TOTAL ASSETS		776,364	587,121
LIABILITIES			
Current liabilities			
Payables	1(f), 12	6,136	4,635
Interest bearing liabilities	1(f), 13	10,052	10,486
Employee benefits	1(f), 14	3,625	3,453
Total current liabilities		19,813	18,574
Non-current liabilities			
Interest bearing liabilities	1(f), 13	44,276	56,730
Employee benefits	1(f), 14	600	606
Net deferred tax liabilities	1(i), 5(d)	98,896	38,557
Total non-current liabilities		143,772	95,893
TOTAL LIABILITIES		163,585	114,467
NET ASSETS		612,779	472,654
Equity			
Contributed capital	1(g), 15	441,165	441,165
Reserves	16	151,030	16,224
Accumulated surplus/ (deficit)	17	20,584	15,265
TOTAL EQUITY		612,779	472,654

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Contributed Capital \$'000	Reserves \$'000	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2014		441,165	13,490	10,719	465,374
Total comprehensive income for the period		-	1,987	5,293	7,280
Transfer from accumulated funds on disposal		-	747	(747)	-
Balance at 30 June 2015		441,165	16,224	15,265	472,654
Total comprehensive income for the period		-	134,623	5,502	140,125
Transfer from accumulated funds on disposal		-	183	(183)	-
Balance at 30 June 2016	15, 16, 17	441,165	151,030	20,584	612,779

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges		74,636	74,791
GST received from the ATO		3,346	3,325
Government contributions received		90	81
Capital charges received		4,359	2,280
		82,431	80,477
Payments			
Payments to suppliers and employees		(40,495)	(43,584)
GST paid to the ATO		(143)	(99)
Interest and other costs of finance paid		(4,435)	(4,904)
Environmental contributions		(2,557)	(2,557)
		(47,630)	(51,144)
Net cash inflow from operating activities	22	34,801	29,333
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment and intangible assets		(17,170)	(16,573)
Proceeds from sale of infrastructure, property, plant and equipment	4(a)	483	351
Net cash (outflow) from investing activities		(16,687)	(16,222)
Cash flows from financing activities			
Repayment of borrowings		(12,888)	(11,722)
Net cash (outflow) from financing activities		(12,888)	(11,722)
Net increase in cash and cash equivalents		5,226	1,389
Cash and cash equivalents at start of the financial year		1,649	260
Cash and cash equivalents at the end of the financial year	6(a)	6,875	1,649
Financing arrangements	13		

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES

(a) Basis of Accounting

General

The financial report includes separate financial statements for Wannon Region Water Corporation as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements for the year ended 30 June 2016. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Wannon Region Water Corporation is a not-for-profit entity for the purpose of preparing the financial statements.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The annual financial statements were authorised for issue by the Board on 25 August 2016.

The principal address is:
25 Gateway Rd
Warrnambool VIC 3280

Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which Wannon Region Water Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Wannon Region Water Corporation's functional and presentation currency.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over in the next twelve months, being the Corporation's operating cycle. See Note 1(f) for a variation in relation to employee benefits.

Rounding

Unless otherwise stated, amounts in this report have been rounded to the nearest thousand dollars. Figures in the financial report may not equate due to rounding.

Historical cost convention

This financial report has been prepared under the historical cost convention, except for the revaluation of financial assets and certain classes of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

Accounting estimates

The preparation of the financial report in conformity with AAS requires the use of certain accounting estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

There were no estimates or assumptions made that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Accounting estimates undertaken in the preparation of this financial report relate to:

- fair value of land, buildings, infrastructure and plant and equipment
- the estimation of useful lives for infrastructure assets
- the impairment of assets
- the estimation of accrued tariffs and charges calculation
- the calculation of provision for impaired receivables
- the calculation of deferred tax assets and deferred tax liabilities
- actuarial assumptions used to determine the Corporation's superannuation defined benefit liability and employee benefit provisions

These assumptions are discussed in Notes 1(d) and 1(e) and the related carrying amounts are disclosed in Notes 4, 5, 7, 10, 11, 12, 14 and 20.

(b) Changes in accounting policies

Subsequent to the 2014-15 reporting period, no new accounting policies have been adopted in the current period. All policies applied are consistent with those of prior years.

(c) Revenue

Service and usage charges

Tariff and service charges are recognised as revenue when levied or determined.

Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per trade waste agreements. The meters are read on a monthly basis with accounts sent on a quarterly basis.

Water usage charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year. An estimation, calculated by multiplying the number of days since the last reading by the customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

Interest

Interest income is recognised using the effective interest rate method.

Assets received free of charge or for nominal consideration / Developer and customer contributions

Water and sewer infrastructure assets built by developers in new land subdivisions that, on transfer of control, are provided to the Corporation and recognised as revenue at their fair value, or fees paid by developers to connect new developments to the Corporation's existing water supply and sewerage systems, are recognised as revenue when the contributions are received.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004 Contributions, whichever is the sooner, and disclosed in the comprehensive operating statement as government grants and contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity - Contributions by owners in accordance with FRD 119A Transfers through Contributed Capital.

Other Income

Other income includes land lease rentals, general recoveries and interest recoveries on loans, recycled water sales, information statement income and connection and inspection fees. Other income is recognised when the right to receive payment is established.

(d) Expenses

Employee benefits

These expenses include all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Wannon Water to the relevant superannuation plans in respect to the services of Wannon Water's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Wannon Water is required to comply with.

Depreciation and amortisation of non-current assets

All non-current physical assets that have a limited useful life are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets with finite useful lives are amortised as an expense on a straight line basis commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance sheet date. All intangible assets are tested for impairment annually as outlined in Note 1(e).

Major depreciation periods used are listed below and are consistent with the prior year, unless otherwise stated.

Asset Class	Period	Asset Class	Period
Bores	40 years	Buildings	5 - 150 years
Electrical	15 - 25 years	Furniture and fittings	5 - 20 years
Lagoons	2 - 300 years	Manholes	80 years
Mechanical	20 - 25 years	Meters	15 - 20 years
Pipes	2 - 150 years	Plant, equipment & motor vehicles	2 - 20 years
Pumps	15 - 40 years	Reservoirs	2 - 300 years
Service basins	2 - 300 years	Tanks	40 - 80 years
Towers	50 - 80 years		

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

Supplies and Services

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed. Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation requirements, the cost is capitalised and depreciated. The Government Water Rebate initiative was introduced in 2014-15 with customers entitled to a \$70 bill reduction in their first quarter bill. This initiative has been disclosed as an efficiency rebate under Supplies and services in Note 4.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on short-term and long-term borrowings and financial accommodation levy.

Environmental contributions

The Corporation has a statutory obligation to pay an environmental contribution to the Department of Environment, Land, Water and Planning. This contribution is recognised as an expense during the reporting period as incurred.

The Water Industry (Environmental Contributions) Act 2004 (the Act) amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended to cover the period 1 July 2016 until 30 June 2020.

The purpose of the environmental contribution is set out in the Act, and the funding may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address water-related initiatives.

The environmental contributions are disclosed separately within the comprehensive operating statement.

Net gain / (loss) on disposal of non-current assets

Any gain or loss on the disposal of non-current assets is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the asset at the time.

(e) Assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in values.

Receivables

Receivables consist of:

- contractual receivables such as debtors in relation to goods and services; and
- statutory receivables such as amounts owing from Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables.

Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments because they do not arise from a contract.

Contractual receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 30 days for other debtors.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

Collectability of contractual receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amounts credited to the allowance are recognised as an expense in the comprehensive operating statement.

Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. These inventories are held for consumption in the ordinary course of business operations and measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost (WAC) basis.

Prepayments

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

Infrastructure, property, plant and equipment

Recognition of non-current physical assets

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles used by the Corporation in its operations. Items with an estimated useful life of more than two years or are considered to be an attractive item are recognised as an asset. All other assets acquired are expensed.

Assets acquired at no cost, or for nominal consideration by the Corporation, are recognised at their fair value at the date of acquisition.

Measurement of non-current physical assets

All non-current physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction (FRD) 103F Non-Current Physical Assets.

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluations are undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Plant, equipment and motor vehicles are measured at fair value. Managements assessment is that depreciated replacement cost approximates fair value.

For the plant, equipment and vehicles asset class, where the Corporation is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exist for these assets, depreciated replacement cost is used to represent a reasonable approximation of fair value.

Water infrastructure assets, at both the entity reporting level and whole of government reporting level, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103F. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

The initial fair value assessment for water infrastructure occurred as at 30 June 2011 and subsequently the 30 June 2016 valuation was undertaken with involvement from Valuer General of Victoria (VGV), under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water and sewer infrastructures. Further details of the valuation exercise is provided in Note 10.

Revaluation of non-current physical assets

Revaluation increments are credited directly to equity in the asset revaluation reserve surplus / (deficit), except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in determining net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

In accordance with FRD 103F - Non-financial physical assets an independent valuation of Wannon Water's property, plant and equipment was performed by agents of the Valuer-General Victoria to determine the fair value of land, buildings and infrastructure. The valuations conform to Australian Valuation Standards and Australian Accounting Standards. The effective date of the valuation is 30 June 2016.

Buildings were valued by VGV (using Egan National Valuers (Vic)). Fair value was determined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Where there is no evidence of fair value because of the specialised nature of the asset, depreciated replacement cost (DRC) was used. DRC is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. An allowance was made, for the continued use as a special purpose asset for the fulfilment of community service obligations.

Land was valued by VGV (using Egan National Valuers (Vic)). Fair value was determined using the market based direct comparison approach, taking into consideration the continued use as a special purpose asset for the fulfilment of community service obligations.

Buildings related to water and sewer infrastructure were valued by VGV (using JLT Valuers). Fair value was determined using the depreciated replacement cost method, with current replacement cost determined based on the optimum equivalent.

Infrastructure assets were independently valued at 30 June 2016 by VGV (using JLT Valuers). The valuation methodology used was the depreciated replacement cost approach for assessing costs and only included assets that were constructed before 1 July 2015. This approach is appropriate for highly specialised assets where there is no active market. Cost models were built based on actual construction information complemented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

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:

- Inventories
- Deferred tax assets
- Financial instrument assets; and,
- Non-current assets held for sale

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 amount exceeds its recoverable amount, the difference is written off by a charge to the comprehensive operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to the class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is 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 asset revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the comprehensive operating statement, a reversal of that impairment loss is also recognised in the comprehensive operating statement.

Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

Permanent water entitlements purchased are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109 Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent entitlements are tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2009 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

A summary of the policies applied to the Corporation's intangible assets is as follows:

	Software Costs	Bulk Water Entitlement
Useful lives	Finite	Indefinite
Amortisation method used	4 years - Straight line	Not amortised or revalued
Internally generated / Acquired	Internally generated	Acquired
Impairment test / Recoverable amount testing	Amortisation method reviewed at each financial year end. Reviewed annually for indicators of impairment	Annually and where an indicator of impairment exists

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

(f) Liabilities

Payables

Payables consist of:

- contractual payables such as accounts payable. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

The contractual payables are unsecured and are usually paid within 30 days of recognition.

Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the comprehensive operating statement over the period of the borrowings, using the effective interest method. Interest is expensed as incurred.

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.

Wannon Water has classified borrowings which mature within 12 months as current liabilities and has discretion to refinance or rollover 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 also classified as current borrowings.

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 discount rates that reflect 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

Employee benefits

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

Wages and salaries and annual leave

Liabilities for wages and salaries including non-monetary benefits like annual leave, are all recognised in the provision for employee benefits as 'current liabilities', because the Corporation does not have an unconditional right to defer settlements of these liabilities.

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

- undiscounted value - if the Corporation expects to wholly settle within 12 months; or
- present value - if the Corporation does not expect to wholly settle within 12 months

Long service leave (LSL)

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 this current LSL liability are measured at:

- undiscounted value - if the Corporation expects to wholly settle within 12 months; and
- present value - if the Corporation does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. 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 measured at present value.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax and worker's compensation are recognised and included in employee benefit liabilities and costs when the

employee benefits to which they relate are recognised as liabilities. On-costs are disclosed separately in Note 14 - employee benefits.

(g) Equity

Contributed capital

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital.

Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Asset Revaluation Reserve

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

(h) Financial instruments

Recognition

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or the issue of the financial asset or liability. Subsequent to initial recognition, the financial instruments are measured as set out below.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Loans and receivables are recorded at amortised cost less impairment.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired.

(i) Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the balance sheet.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(j) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 19) at their nominal value and inclusive of the goods and services tax (GST) payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

(k) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Corporation and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

(l) Dividend policy

The Corporation is required to pay a dividend in accordance with the determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous years' adjusted net profit.

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer, and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is \$Nil. (2015 : \$Nil)

(m) Goods and services tax

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

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis - ie inclusive of GST. The GST component of cash flows arising from investing and financing activities, which is recoverable or payable to the ATO, is classified as operating cash flows.

(n) Fair Value

Consistent with AASB 13 Fair Value Measurement, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment and financial instruments and for non recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

In addition, the Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency in relation to valuation of property, plant and equipment.

Fair value measurement

Fair value is 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.

The fair value measurement is based on the following assumptions:

- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the entity at the measurement date; and
- that the entity uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Consideration of highest and best use for non-financial physical assets

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements.

In accordance with paragraph AASB 13.29, Wannon Water assumes that the current use of a non-financial physical asset is its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Identifying unobservable inputs (Level 3) fair value measurements

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non financial assets.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

(o) New Accounting Standards and Interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. Wannon Water has reviewed all new accounting standards and interpretations that are not yet effective and have identified four standards / interpretations that apply to the Corporation. As at 30 June 2016, the following standards have been issued but were not mandatory for the financial year ending 30 June 2016. The Corporation has not, and does not, intend to adopt these standards early.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Corporation's financial statements
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier. This standard is resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 January 2018	While the preliminary assessment did not identify any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 2010-7 Amendments to Accounting Standards arising from AASB 9	<p>"The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. 	1 January 2018	Wannon Water is yet to assess its full impact. However the amendment is expected to have a limited impact on Wannon Water. A preliminary assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals when applicable.
AASB 15 Revenue from Contracts with Customers	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.	1 January 2018	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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Corporation's financial statements
			Wannon Water is yet to assess its full impact. However the amendment is expected to have a limited impact.
<i>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</i>	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. Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably. 	1 January 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 January 2018	The assessment has indicated that there will be no significant impact for Wannon Water.
<i>AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.
<i>AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; For items purchased online, the entity is a principal if it obtains control of the 	1 January 2018	The assessment has indicated that there will be no significant impact for Wannon Water.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Corporation's financial statements
	<p>good or service prior to transferring to the customer; and</p> <ul style="list-style-type: none"> For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 		
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	The assessment has indicated that there will be no impact on Wannon Water as there are no leases in place.
AASB 2014 4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	<p>Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to:</p> <ul style="list-style-type: none"> establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	1 January 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (AASB 10, AASB 124 & AASB 1049)	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 January 2016	The amending standard will result in extended disclosures on Wannon Water's responsible persons and executive officers, and the related party transactions. The Corporation will adopt

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 1. ACCOUNTING POLICIES (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Corporation's financial statements
			the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2017.
AASB 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136.

The following amending standards are effective for the 2015-16 reporting period and are considered to have insignificant impact on public sector reporting.

- AASB 1056 - *Superannuation Entities*
- 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 2014-3 - *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
- AASB 2014-6 - *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*
- AASB 2015-2 - *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- AASB 2015-5 - *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*
- 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*

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation 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 risks and ageing analysis for credit risk.

Risk management is carried out by the Audit and Risk Management Committee under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

An effective framework is in place to adequately assess, monitor, manage and report, the significant financial risks to which the Corporation is exposed to as a result of, and in the course of its activities and responsibilities.

The main risks the Corporation is exposed to through its financial instruments are as follows:

(a) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is insignificant exposure to foreign exchange risk and insignificant exposure to other price risks.

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

(i) Interest rate risk

The Corporation minimises its exposure to interest rate changes on its long term borrowings by holding fixed rate debt. Debt is sourced from Treasury Corporation of Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

In accordance with Wannon Water's Treasury Management Policy, floating debt is limited to less than 20% of the total borrowing portfolio. This debt is restricted to short term borrowings, which limits the exposure to interest rate risk further.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

(ii) Foreign exchange risk

The Corporation has limited exposure to changes in the foreign exchange rate. Borrowings are not conducted in foreign currencies.

Wannon Water transacts in foreign currencies only in rare instances and for small dollar value transactions, therefore the associated risk is minimal. In managing foreign currency risk, Wannon Water generally uses forward exchange contracts to hedge its foreign currency risk in respect of purchases.

(iii) Other price risk

The Corporation has no significant exposure to other price risk.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk sensitivity analysis

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates constantly applied during the reporting period would increase (decrease) equity and profit by the amounts shown below. This analysis assumes that all other variables remain constant. It has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The Corporation believes that a movement of 1% in interest rates is reasonable over the next 12 months.

The following table summarises the impact of increases / decreases of the relevant interest rates on the Corporation's post-tax profit for the year and equity.

30 June 2016	Carrying amount \$'000	Result \$'000	Interest Rate Risk		Equity \$'000
			-1%	-1%	
Financial assets					
Cash and cash equivalents	6,875	(69)	(69)	69	69
Receivables ¹	15,019	-	-	-	-
Financial liabilities					
Payables ¹	5,863	-	-	-	-
Interest bearing liabilities	54,328	-	-	-	-
Total increase / (decrease)		(69)	(69)	69	69

30 June 2015	Carrying amount \$'000	Result \$'000	Interest Rate Risk		Equity \$'000
			-1%	-1%	
Financial assets					
Cash and cash equivalents	1,649	(19)	(19)	19	19
Receivables ¹	19,301	-	-	-	-
Financial liabilities					
Payables ¹	4,315	-	-	-	-
Interest bearing liabilities	67,216	5	5	(5)	(5)
Total increase / (decrease)		(14)	(14)	14	14

Note 1 - The amount disclosed in receivables and payables excludes accrued revenue and expenses and statutory amounts.

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the Corporation's receivables.

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. The Corporation has in place a policy and procedure for the collection of overdue receivables.

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and continually monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

To manage liquidity risk Wannon Water has in place an ability to access funds via overnight notifications to Treasury Corporation of Victoria in accordance with the Treasurer's borrowing approval limits. Under the State of Victoria's centralised borrowing arrangement, Treasury Corporation of Victoria has assumed responsibility for securing adequate access to global financial markets. Thus, the liquidity risk faced by Wannon Water is commensurate with the liquidity risk of the State of Victoria, which is not considered significant.

The Corporation's financial liability maturities have been disclosed in Note 18.

(d) Fair value measurements

The carrying amounts 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 is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments. The fair value of current borrowings approximate the carrying amount, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 3. REVENUE DISCLOSURES

	2016 \$'000	2015 \$'000
Service charges		
Water	10,152	10,070
Sewer	27,240	26,867
Total service charges	37,392	36,937
Usage charges		
Water	25,858	24,262
Trade waste	7,234	8,907
Total usage charges	33,092	33,169
Government grants and contributions		
Government contributions	82	74
Total government grants and contributions	82	74
Interest		
Interest on bank deposits	23	21
Income from investments	115	42
Other	94	89
Total interest	232	152
Developer and customer contributions		
Fees paid by developers and customers	620	1,916
Total developer and customer contributions	620	1,916
Assets received free of charge or for nominal consideration		
Assets received free of charge from developers	2,397	869
Total assets received free of charge or for nominal consideration	2,397	869
Other income		
Rental	304	335
Cost recoveries	1,285	1,658
Information statements	219	213
Connection and inspection fees	242	276
Recycled water sales	419	438
Miscellaneous	722	749
Total other revenue	3,191	3,669

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 4. EXPENSE DISCLOSURES

	2016 \$'000	2015 \$'000
(a) Net gain / (loss) on disposal of non-current assets		
Cost of assets disposed		
Infrastructure	(1,151)	(1,219)
Buildings	(11)	-
Office equipment	(157)	(184)
Motor vehicles	(424)	(346)
Intangibles	(28)	-
Total written down value of assets disposed	(1,771)	(1,749)
Proceeds of assets disposed		
Motor vehicle trade ins	474	350
Other asset sales	9	1
Total proceeds of asset disposed	483	351
Net gain/ (loss) on disposal of non current assets	(1,288)	(1,398)
(b) Expenses		
Employee benefits		
Salaries and wages	(14,390)	(14,375)
Annual leave	(1,185)	(1,130)
Long service leave	(555)	(430)
Employer superannuation contributions	(1,281)	(1,267)
Defined benefit superannuation expense	(157)	(169)
Total employee benefits expense	(17,568)	(17,371)
Depreciation		
Land improvements	(14)	(14)
Buildings	(520)	(522)
Infrastructure	(17,838)	(18,932)
Other equipment	(2,431)	(2,447)
Total depreciation	(20,803)	(21,915)
Amortisation		
Intangible assets - computer software	(902)	(1,032)
Total amortisation	(902)	(1,032)
Supplies and services		
Chemicals	(786)	(765)
Consultancies and contractors	(6,947)	(8,984)
Electricity	(3,668)	(3,467)
Goods and Equipment	(997)	(941)
Licences	(1,743)	(1,554)
Efficiency rebate	(2,443)	(2,420)
Other goods and services	(4,759)	(4,548)
Total supplies and services	(21,343)	(22,679)
Borrowing costs		
Interest on loans - TCV	(3,754)	(4,107)
Financial accommodation levy	(646)	(768)
Total borrowing costs	(4,400)	(4,875)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 5. INCOME TAX

2016
\$'000

2015
\$'000

(a) Reconciliation of income tax to prima facie tax payable

The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

Net result before income tax expense	8,145	4,959
Income tax calculated @ 30% (2015: 30%)	2,443	1,487
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Depreciating Assets	12	80
Non-deductible expenses	9	8
Non-Assessable Accrued Revenue	-	(1,909)
Prior year adjustment (Losses)	179	-
Income tax as reported in the comprehensive operating statement	2,643	(334)

(b) Deferred tax assets

The balance comprises temporary differences attributable to:

Amounts recognised in the comprehensive operating statement

Prior and current tax losses	35,735	40,056
Provisions and accrued expenditure not deductible	1,416	1,349
	37,151	41,405

Movement

Opening balance 1 July	41,405	42,219
Annual movement	(4,254)	(814)

Closing balance 30 June

37,151	41,405
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(c) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in the comprehensive operating statement

Depreciation and revaluation	(136,047)	(79,958)
Other	-	(4)
	(136,047)	(79,962)

Movement

Opening balance 1 July	(79,962)	(80,258)
Annual movement	(56,085)	296

Closing balance 30 June

(136,047)	(79,962)
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(d) Net deferred tax liabilities

Deferred tax assets	37,151	41,405
Deferred tax liabilities	(136,047)	(79,962)

Net deferred tax liabilities

(98,896)	(38,557)
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NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 6. CASH AND CASH EQUIVALENTS

	2016 \$'000	2015 \$'000
Cash on hand	2	2
Cash at bank	564	741
Deposits at call	6,309	906
	6,875	1,649
(a) Reconciliation to cash as at the end of year		
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:		
Balance as above	6,875	1,649
Balances as per cash flow statement	6,875	1,649
(b) Deposits at call		
The deposit is bearing a floating interest rate at 30 June 2016 of 1.70% (2015: 1.95%)	6,309	906

NOTE 7. RECEIVABLES

Current		
<i>Contractual</i>		
Tariffs and charges	2,989	3,305
Accrued tariffs and charges	9,566	9,554
Less: Provision for impaired receivables	(75)	(72)
Schemes/ Receivables	49	61
Other receivables	2,154	2,749
	14,683	15,597
<i>Statutory</i>		
GST receivable	288	351
	288	351
Total current receivables	14,971	15,948
Non-current		
<i>Contractual</i>		
Schemes / Receivables	570	680
Other receivables	9,333	12,578
Total non-current receivables	9,903	13,258
Total receivables	24,874	29,206

(a) Provision for impaired receivables

As at 30 June 2016, current receivables of the Corporation with a nominal value of \$75,313 (2015: \$72,448) were impaired. The amount of the provision is \$75,313 (2015: \$72,448). The individually impaired receivables mainly relate to customers who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

1 to 3 months	7	5
3 to 6 months	13	13
Over 6 months	55	54
	75	72

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 7. RECEIVABLES (continued)

	2016 \$'000	2015 \$'000
Movements in the provision for impaired receivables are as follows:		
As at 1 July	72	50
Provision for impairment recognised during the year	34	47
Receivables written off during the year as uncollectible	(31)	(25)
	75	72

The creation and release of the provision for impaired receivables has been included as an expense in the comprehensive operating statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired trade receivables

As of 30 June 2016, trade receivables of \$1,909,155 (2015: \$1,685,475) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

1 to 3 months	947	717
3 to 6 months	399	458
Over 6 months	563	510
	1,909	1,685

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

NOTE 8. INVENTORIES

Current		
Stores and consumables - at cost	641	624
Total inventories	641	624

NOTE 9. PREPAYMENTS

Current		
Prepaid expenses	969	825
Total prepayments	969	825

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

	2016 \$'000	2015 \$'000
(a) Classes of property, plant and equipment		
Land		
Freehold - at fair value	29,600	27,776
Crown - at fair value	146	146
Land improvements - at fair value	563	563
Less accumulated depreciation	(76)	(62)
	30,233	28,423
Buildings		
At fair value	26,638	26,499
Less accumulated depreciation	(2)	-
	26,636	26,499
Water infrastructure		
At fair value	379,101	580,321
Less accumulated depreciation	(74)	(304,167)
	379,027	276,154
Sewer infrastructure		
At fair value	277,737	396,626
Less accumulated depreciation	(47)	(196,165)
	277,690	200,461
Plant & equipment (including motor vehicles)		
At fair value	21,730	20,039
Less accumulated depreciation	(12,913)	(11,008)
	8,817	9,031
Under construction - at cost	14,380	7,621
Total property plant and equipment	736,783	548,189

In accordance with *FRD 103F - Non-financial physical assets* an independent valuation of Wannon Water's property, plant and equipment was performed by agents of the Valuer-General Victoria (VGV) to determine the fair value of land, buildings and infrastructure. The valuations conform to Australian Valuation Standards and Australian Accounting Standards. The effective date of the valuation is 30 June 2016.

Buildings were valued by VGV (using Egan National Valuers (Vic)). Fair value was determined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Where there is no evidence of fair value because of the specialised nature of the asset, depreciated replacement cost (DRC) was used. DRC is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Land was valued by VGV (using Egan National Valuers (Vic)). Fair value was determined using the market based direct comparison approach, taking into consideration the continued use as a special purpose asset for the fulfilment of community service obligations.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 10. PROPERTY, PLANT AND EQUIPMENT (continued)

Buildings related to water and sewer infrastructure were valued by VGV (using JLT Valuers). Fair value was determined using the depreciated replacement cost method, with current replacement cost determined based on the optimum equivalent.

Infrastructure assets were independently valued at 30 June 2016 by the Valuer-General Victoria (using JLT Valuers). The valuation methodology used was the depreciated replacement cost approach for assessing costs and only included assets that were constructed before 1 July 2015. This approach is appropriate for highly specialized assets where there is no active market. Cost models were built based on actual construction information complimented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

2015-16	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Opening WDV at 1 July 2015	28,423	26,499	476,615	9,031	7,621	548,189
Additions	47	136	4,642	2,594	9,248	16,667
Developer contributed assets	-	-	2,397	-	-	2,397
Revaluations	1,777	384	190,158	-	-	192,319
Disposals	-	(11)	(1,152)	(581)	(209)	(1,953)
Transfers between categories ¹	-	148	1,895	204	(2,280)	(33)
Depreciation expense	(14)	(520)	(17,838)	(2,431)	-	(20,803)
Closing WDV at 30 June 2016	30,233	26,636	656,717	8,817	14,380	736,783

2014-15	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Opening WDV at 1 July 2014	27,252	23,264	478,700	9,680	13,949	552,845
Additions	1,185	823	8,077	1,234	4,697	16,016
Developer contributed assets	-	-	869	-	-	869
Revaluations	-	2,839	-	-	-	2,839
Disposals	-	-	(1,220)	(511)	(290)	(2,021)
Transfers between categories ¹	-	95	9,121	1,075	(10,735)	(444)
Depreciation expense	(14)	(522)	(18,932)	(2,447)	-	(21,915)
Closing WDV at 30 June 2015	28,423	26,499	476,615	9,031	7,621	548,189

Note 1 – Amount transferred to Intangibles. Refer to note 11.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 10. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurement hierarchy for assets as at 30 June 2016

	Carrying amount at 30-Jun-16 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and land improvements at fair value				
Specialised land	30,233	-	-	30,233
Total of land and land improvements at fair value	30,233	-	-	30,233
Buildings at fair value				
Specialised buildings	26,635	-	-	26,635
Total of buildings at fair value	26,635	-	-	26,635
Water infrastructure at fair value				
Water reticulation & distribution	288,153	-	-	288,153
Water treatment plants	37,678	-	-	37,678
Water reservoirs & service basins	53,196	-	-	53,196
Total of water infrastructure at fair value	379,027	-	-	379,027
Sewer infrastructure at fair value				
Sewer reticulation	183,539	-	-	183,539
Sewer treatment plants	94,151	-	-	94,151
Total of sewer infrastructure at fair value	277,690	-	-	277,690
Plant, equipment and vehicles at fair value				
Vehicles	3,086	-	-	3,086
Plant and equipment	5,731	-	-	5,731
Total of plant, equipment and vehicles at fair value	8,817	-	-	8,817

Classified in accordance with the fair value hierarchy. See Note 1(n).

	Carrying amount at 30-Jun-15 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and land improvements at fair value				
Specialised land	28,423	-	-	28,423
Total of land and land improvements at fair value	28,423	-	-	28,423
Buildings at fair value				
Specialised buildings	26,499	-	-	26,499
Total of buildings at fair value	26,499	-	-	26,499
Water infrastructure at fair value				
Water reticulation & distribution	209,001	-	-	209,001
Water treatment plants	28,475	-	-	28,475
Water reservoirs & service basins	38,678	-	-	38,678
Total of water infrastructure at fair value	276,154	-	-	276,154
Sewer infrastructure at fair value				
Sewer reticulation	131,339	-	-	131,339
Sewer treatment plants	69,122	-	-	69,122
Total of sewer infrastructure at fair value	200,461	-	-	200,461
Plant, equipment and vehicles at fair value				
Vehicles	3,056	-	-	3,056
Plant and equipment	5,975	-	-	5,975
Total of plant, equipment and vehicles at fair value	9,031	-	-	9,031

Classified in accordance with the fair value hierarchy. See Note 1(n).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 10. PROPERTY, PLANT AND EQUIPMENT (continued)

Specialised Land and Buildings

The market based approach is used for the valuation of specialised land, although is adjusted for the community service obligation (CSO) 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 feasible. As adjustments of CSO's are considered as significant unobservable inputs, specialised land is classified as Level 3 fair value measurements.

For specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered significant unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of the Corporations' specialised land and specialised buildings was performed by the Valuer-General Victoria (using Egan National Valuers Pty. Ltd.). The valuation was undertaken using the market based approach adjusted for the CSO. The effective date of the valuation is 30 June 2016. A managerial revaluation was performed by management at 30 June 2015 for the building class of assets.

Water and Sewer Infrastructure

Water and sewer infrastructure are valued using the depreciated replacement cost method. This cost represents the replacement cost of the infrastructure/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as underground assets or structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the infrastructure. As these assumptions are considered significant unobservable inputs, water and sewer infrastructure are classified as level 3 fair value measurements.

An independent valuation of the Corporation's water and sewer infrastructure was performed by the Valuer-General Victoria (using JLT Valuers). The valuation was determined using the depreciated replacement cost method with current replacement cost determined based on the optimum equivalent. The effective date of the valuation is 30 June 2016.

Vehicles

Vehicles are valued using the depreciated replacement cost method. The Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by an experienced fleet manager in the Corporation. Management sets relevant depreciation rates to reflect the utilisation of the vehicles. As this assumption is considered a significant unobservable input, vehicles are classified as a level 3 fair value measurement.

Plant and Equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. As this assumption is considered a significant unobservable input, plant and equipment is classified as a level 3 fair value measurement.

There were no changes in valuation techniques throughout the period ending 30 June 2016.

For all assets measured at fair value, the current use is considered the highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 10. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF LEVEL 3 FAIR VALUE

2016	Specialised Land and improvements \$'000	Specialised Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant and Equipment \$'000	Vehicles \$'000
Opening balance	28,423	26,499	276,154	200,461	5,975	3,056
Additions/ purchases	47	283	2,629	6,305	1,699	1,099
Transfers in (out) of level 3	-	-	-	-	-	-
Disposals	-	(11)	(261)	(866)	(18)	(563)
Depreciation	(14)	(520)	(12,168)	(5,695)	(1,925)	(506)
Impairment loss	-	-	-	-	-	-
Subtotal	33	(248)	(9,800)	(256)	(244)	30
Revaluation	1,777	384	112,673	77,485	-	-
Subtotal	1,777	384	112,673	77,485	-	-
Closing balance	30,233	26,635	379,027	277,690	5,731	3,086

RECONCILIATION OF LEVEL 3 FAIR VALUE

2015	Specialised Land and improvements \$'000	Specialised Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant and Equipment \$'000	Vehicles \$'000
Opening balance	27,252	23,264	281,952	196,748	6,522	3,158
Additions/ purchases	1,185	918	6,634	11,433	1,538	771
Transfers in (out) of level 3	-	-	-	-	-	-
Disposals	-	-	(759)	(461)	(209)	(302)
Depreciation	(14)	(522)	(11,673)	(7,259)	(1,876)	(571)
Impairment loss	-	-	-	-	-	-
Subtotal	1,171	396	(5,798)	3,713	(547)	(102)
Revaluation	-	2,839	-	-	-	-
Subtotal	-	2,839	-	-	-	-
Closing balance	28,423	26,499	276,154	200,461	5,975	3,056

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 10. PROPERTY, PLANT AND EQUIPMENT (continued)

DESCRIPTION OF SIGNIFICANT UNOBSERVABLE INPUTS TO LEVEL 3 VALUATIONS

Asset class	Valuation technique	Significant unobservable inputs
Specialised land and improvements	Market approach	Community Service Obligation (CSO) adjustment Land value range
Specialised buildings	Depreciated replacement cost	Cost per building Useful life of specialised buildings
Water Infrastructure - Water reticulation & distribution	Depreciated replacement cost	Cost per metre Useful life of the infrastructure
Water Infrastructure - Water treatment plants	Depreciated replacement cost	Cost per treatment plant Useful life of the infrastructure
Water Infrastructure - Water reservoirs & service basins	Depreciated replacement cost	Cost per unit Useful life of the infrastructure
Sewer Infrastructure - Sewer reticulation	Depreciated replacement cost	Cost per metre Useful life of the infrastructure
Sewer Infrastructure - Sewer treatment plants	Depreciated replacement cost	Cost per treatment plant Useful life of the infrastructure
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
Vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles

The above table reflects valuation techniques and significant unobservable inputs which were consistent to those disclosed in 2014-15.

NOTE 11. INTANGIBLE ASSETS

	2016 \$'000	2015 \$'000
(a) Classes of intangibles		
Computer software at cost	6,773	6,297
Less: Accumulated amortisation	(5,301)	(4,419)
	1,472	1,878
Bulk water entitlement - at cost	4,750	4,750
Total intangibles	6,222	6,628

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 11. INTANGIBLE ASSETS (continued)	Software \$'000	Bulk Water Entitlement \$'000	Total \$'000
(b) Movements during the reporting period			
2015-16			
Opening WDV at 1 July 2015	1,878	4,750	6,628
Additions	491	-	491
Disposals	(28)	-	(28)
Transfers between categories ¹	33	-	33
Amortisation expense	(902)	-	(902)
Closing WDV at 30 June 2016	1,472	4,750	6,222
	Software \$'000	Bulk Water Entitlement \$'000	Total \$'000
2014-15			
Opening WDV at 1 July 2014	1,939	4,750	6,689
Additions	545	-	545
Disposals	(18)	-	(18)
Transfers between categories ¹	444	-	444
Amortisation expense	(1,032)	-	(1,032)
Closing WDV as at 30 June 2015	1,878	4,750	6,628

Note 1 – Amount transferred from WIP. Refer note 10.

NOTE 12. PAYABLES	2016 \$'000	2015 \$'000
Current		
Contractual		
Trade creditors	5,400	4,079
Accrued loan interest	8	10
Contract deposits	462	236
Statutory		
Employment costs	266	310
Total current payables	6,136	4,635

Sensitivity analysis

For an analysis of the sensitivity of payables to interest rate risk refer to Note 2.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 13. INTEREST BEARING LIABILITIES

	2016 \$'000	2015 \$'000
Current		
<i>Secured</i>		
TCV loans	10,052	10,486
Total current interest bearing liabilities	10,052	10,486
Non-current		
<i>Secured</i>		
TCV loans	44,276	56,730
Total non-current interest bearing liabilities	44,276	56,730

Security over borrowings

Borrowings are secured over the future tariff revenue of Wannon Region Water Corporation.

Risk exposures		
The exposure of the Corporation's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:		
6 months or less	5,000	5,000
6 - 12 months	5,000	5,000
1 - 5 years	29,328	34,127
Over 5 years	15,000	23,089
	54,328	67,216
Current borrowings	10,052	10,486
Non-current borrowings	44,276	56,730
	54,328	67,216

For analysis of the sensitivity of the borrowings to interest rate risk refer to Note 2.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 14. EMPLOYEE BENEFITS

	2016 \$'000	2015 \$'000
Current		
<i>Annual Leave</i>		
Annual leave - unconditional and expected to settle within 12 months	973	962
<i>Long Service Leave</i>		
Long service leave - unconditional and expected to settle within 12 months - measured at nominal value	388	361
Long service leave - unconditional and expected to settle after 12 months - measured at present value	1,821	1,711
<i>On-Costs</i>		
Unconditional and expected to settle within 12 months - measured at nominal value	67	63
Unconditional and expected to settle after 12 months - measured at present value	316	297
<i>Other Leave</i>		
Other leave - unconditional and expected to settle within 12 months	60	59
Total current	3,625	3,453
Non-current		
Long service leave - conditional - measured at present value	511	516
Long service leave on costs - conditional - measured at present value	89	90
Total non-current	600	606
Aggregate carrying amount of employee benefits		
Current	3,625	3,453
Non-current	600	606
Total employee benefits	4,225	4,059

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 14. EMPLOYEE BENEFITS (continued)

	2016 No.	2015 No.
Employee numbers		
Employee numbers at end of financial year	198	198
As explained in Note 1(f), some amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present value of long service leave entitlements:		
Weighted average increase in employee costs	4.13%	4.44%
Weighted average discount rates	1.99%	3.03%
Weighted average settlement period (years from 30 June)	5.65%	5.87%

NOTE 15. CONTRIBUTED CAPITAL

Opening balance at 1 July	441,165	441,165
Closing balance at 30 June	441,165	441,165

NOTE 16. RESERVES

Asset revaluation reserve surplus / (deficit)	151,030	16,224
Movements in reserves		
Balance 1 July	16,224	13,490
Transfer from / (to) accumulated funds on disposal of re-valued assets	183	747
Revaluation increment / (decrement) on non-current assets	134,623	1,987
Balance 30 June	151,030	16,224

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

NOTE 17. ACCUMULATED FUNDS

Opening balance at 1 July	15,265	10,719
Net result for the period	5,502	5,293
Transfer from / (to) asset revaluation reserve	(183)	(747)
Closing balance at 30 June	20,584	15,265

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 18. FINANCIAL INSTRUMENTS

Interest rate risk exposure

The following table sets out the Corporation's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominately from assets and liabilities bearing variable interest rates as the Corporation intends to hold fixed rate assets and liabilities to maturity.

2016	Weighted average effective interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	4 + years \$'000	Non interest bearing \$'000	Total \$'000
Financial assets:									
- Cash and Cash Equivalents	1.70%	6,874	-	-	-	-	-	1	6,875
- Receivables ¹	7.45%	-	4,890	766	825	865	7,339	334	15,019
Total		6,874	4,890	766	825	865	7,339	335	21,894
Weighted Average Effective Interest Rate		1.7%	6.4%	8.1%	8.1%	8.1%	8.2%	-	
Financial liabilities:									
- Payables ¹	-	-	-	-	-	-	-	5,863	5,863
- Interest bearing liabilities	5.22%	-	10,000	10,000	5,000	9,328	20,000	-	54,328
Total		-	10,000	10,000	5,000	9,328	20,000	5,863	60,191
Weighted Average Effective Interest Rate		-	5.7%	5.1%	5.7%	6.0%	4.6%	-	
2015									
Financial assets:									
- Cash and Cash Equivalents	1.97%	1,648	-	-	-	-	-	1	1,649
- Receivables ¹	7.60%	-	5,791	1,219	1,320	1,429	9,164	378	19,301
Total		1,648	5,791	1,219	1,320	1,429	9,164	379	20,950
Weighted Average Effective Interest Rate		1.97%	6.7%	8.4%	8.5%	8.5%	8.3%	-	
Financial liabilities:									
- Payables ¹	-	-	-	-	-	-	-	4,315	4,315
- Interest bearing liabilities	5.44%	-	10,000	10,000	10,000	5,000	32,216	-	67,216
Total		-	10,000	10,000	10,000	5,000	32,216	4,315	71,531
Weighted Average Effective Interest Rate		-	6.2%	5.7%	5.1%	5.7%	5.2%	-	

Note 1 - The amount disclosed in receivables and payables excludes accrued revenue and expenses and statutory amounts.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 19. COMMITMENTS

The following commitments are inclusive of GST where applicable.

	2016 \$'000	2015 \$'000
Capital commitments		
At 30 June 2016, the Corporation had capital commitments for the acquisition and/or construction of plant and equipment not recognised as liabilities payable, to be paid as follows:		
Within one year	4,514	5,307
One to five years	-	-
Total capital commitments	4,514	5,307
Operating commitments		
At 30 June 2016, the Corporation had operating commitments for the provision of contract and consultancy services to meet the Corporation's operations not recognised as liabilities payable to be paid as follows:		
Within one year	987	2,884
One to five years	427	1,043
Total operating commitments	1,414	3,927
Environmental contribution commitments		
At 30 June 2016, the Corporation had environmental contribution commitments not recognised as liabilities payable, to be paid as follows:		
Within one year	2,557	2,557
One to five years	9,313	-
Total environmental contribution commitments	11,870	2,557
Total commitments for expenditure	17,798	11,791

NOTE 20. SUPERANNUATION

Superannuation

Wannon Water makes all of its employer superannuation contributions in respect of most of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are made or due. The defined benefit category provides lump sum benefits based on years of service and final average salary. The defined contribution section (accumulation category) receives fixed contributions from Wannon Water and Wannon Water's legal or constructive obligation is limited to these contributions.

Accumulation

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% required under Superannuation Guarantee (SG) Legislation). Wannon Water's commitment to defined contribution (accumulation) plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 20. SUPERANNUATION (continued)

Defined benefit plan

As provided under Paragraph 34 of AASB 119 – Employee benefits, Wannon Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Wannon Water in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the employers for accounting purposes. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purpose of AASB 119 because of the pooled nature of the Fund's Defined Benefit category.

Funding arrangements

Wannon Water makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2015 an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. It was determined that the Vested Benefit Index (VBI) of the Defined Benefit category of which Wannon Water is a contributing employer was 105.8% (103.4% at 30 June 2015)

To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns	7.0% pa
Salary information	4.25% pa
Price inflation (CPI)	2.5% pa

Vision Super has advised that the estimated VBI at March 2016 was 102.4%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangements from prior years.

The Fund's employer funding arrangements comprise of three components as follows:

1. Regular contributions - which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls - which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments - which are additional contributions to cover the increase in liability arising from retrenchments.

Wannon Water is also required to make additional contributions to cover the contributions tax payable on components 2 and 3 referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

Employer Contributions

Regular contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, Wannon Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/15). This rate will increase in line with any increase to the SG contribution rate.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 20. SUPERANNUATION (continued)

In addition, Wannon Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as VBI multiplied by the benefit).

Funding Calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years on the shortfall occurring. The fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Wannon Water) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- the service periods of all active members split between the active members pre- 1 July 1993 and post- 30 June 1993 service period; and
- the pensioner (including fixed term pension) liabilities which are allocated to the pre- 1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Differences between calculations

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in Wannon Water's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Retrenchment increments

During 2015-16, Wannon Water was not required to make payments to the Fund in respect of retrenchment increments (\$Nil in 2014-15). Wannon Water's liability to the Fund as at 30 June 2016, for retrenchment increments, accrued interest and tax is \$Nil (\$Nil in 2014-15).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 20. SUPERANNUATION (continued)

2015 interim actuarial investigation surplus amounts

The Fund's latest actuarial investigation as at 30 June 2015 identified the following in the Defined Benefit category of which Wannon Water is a contributing employer:

- A VBI surplus of \$130.8 million; and
- A total service liability surplus of \$239 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Wannon Water was notified of the results of the 30 June 2015 VBI during August 2015.

Accrued benefits

The Fund's liability for accrued benefits was determined in the 2015 interim actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS25 - Financial Reporting by Superannuation Funds follows:

	30-Jun-15 (Interim) \$million	30 June 2014 (Full) \$million
Net Market Value of Assets	2,379.2	2,354.9
Accrued Benefits (per accounting standards)	2,083.1	2,061.9
Difference between Assets and Accrued Benefits	296.1	293
Vested Benefits (Minimum sum which must be paid to members when they leave the Fund)	2,248.4	2,277.8

The next interim actuarial investigation will be held as at 30 June 2016 and the next full actuarial investigation will be as at 30 June 2017.

Contributions by Wannon Water (excluding any unfunded liability payments) to superannuation funds for the financial year ended 30 June 2016 are detailed below:

	2016 \$'000	2015 \$'000
Fund		
State Superannuation Fund - Defined benefits	46	46
Vision Super - Defined benefits	111	123
Vision Super - Accumulation Plan	1,089	1,102
Other	192	155
Total contributions	1,438	1,426

As at the reporting date, there were no contributions outstanding and no loans to or from Wannon Water to any of the above funds.

The expected contributions to be paid to the defined benefit category for the year ending 30 June 2017 is \$162,000.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 21. RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES

(a) Responsible persons

The persons who held the positions of ministers and accountable officers in the Corporation are as follows:

The Hon. Lisa Neville MP, Minister for Environment, Climate Change and Water from 1 July 2015 to 22 May 2016; and The Hon. Lisa Neville MP, Minister for Water from 23 May 2016 to 30 June 2016.

Board

Chair	Mr John Vogels	1 July 2015 - 30 September 2015
Chair	Ms Jacinta Ermacora	1 October 2015 - 30 June 2016
Deputy Chair	Mr Rob Wallis	1 July 2015 - 26 November 2015
Deputy Chair	Mr Mick Murphy, OAM	27 November 2015 - 30 June 2016
Director	Ms Georgina Gubbins	1 July 2015 - 30 June 2016
Director	Mr Russell Worland	1 July 2015 - 30 June 2016
Director	Mr Rod Coutts	1 July 2015 - 30 September 2015
Director	Ms Kate Fraser	1 July 2015 - 30 September 2015
Director	Mr Frank Zeigler	1 July 2015 - 30 September 2015
Director	Mr Mick Murphy, OAM	1 October 2015 - 26 November 2015
Director	Ms Sharon Lewis	1 October 2015 - 30 June 2016
Director	Mr Michael Crutchfield	1 October 2015 - 30 June 2016
Director	Mr Rob Wallis	27 November 2015 - 30 June 2016
Managing Director / Accountable Officer	Mr Grant Green	1 July 2015 - 17 July 2015
Managing Director / Accountable Officer	Mr Andrew Jeffers	18 July 2015 - 30 June 2016

Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet.

The number of responsible persons whose remuneration from the Corporation was within the specified bands were as follows:

	2016 No.	2015 No.
Income Band		
\$0 - \$9,999	3	-
\$10,000 - \$19,999	4	-
\$20,000 - \$29,999	3	6
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	-	1
\$220,000 - \$229,999	2	-
\$310,000 - \$319,999	-	1
Total numbers	13	8

Remuneration received or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid)

649	500

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 21. RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES (continued)

Other related party transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

(b) Executive Officers' remuneration

The number of executive officers, other than the responsible persons, whose total remuneration falls within the specified bands above \$100,000 are as follows:

	Total Remuneration		Base Remuneration	
	2016 No.	2015 No.	2016 No.	2015 No.
Income Band				
\$110,000 - \$119,999	1	-	1	-
\$120,000 - \$129,999	1	-	1	-
\$170,000 - \$179,999	-	1	-	3
\$180,000 - \$189,999	-	2	-	-
\$190,000 - \$199,999	-	-	2	-
\$200,000 - \$209,999	2	-	-	1
\$210,000 - \$219,999	-	1	-	-
Total numbers	4	4	4	4
Total annualised employee equivalent (AEE)	4.00	4.00	4.00	4.00

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

	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Remuneration received or receivable by executives in respect of the management of the Corporation during the reporting period was:	649	759	626	725

Total remuneration includes bonus payments and annual and long service leave payments made upon cessation of employment. One executive officer retired and another was promoted in the 2015/16 year. Compared to the prior year, this has had a significant impact on total and base remuneration figures as incoming executive officers were not employed for the full 2015/16 year.

No contractors were engaged during the period as executive officers.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 22. RECONCILIATION OF PROFIT/ (LOSS) FOR THE PERIOD AFTER RELATED INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2016 \$'000	2015 \$'000
Net result for the period after income tax	5,502	5,293
Add / (less) non-cash flows in net result		
Depreciation and amortisation	21,705	22,947
Net loss on disposal of non-current assets	1,288	1,398
Infrastructure assets contributed at no cost	(2,397)	(957)
Changes in assets and liabilities		
Decrease (increase) in receivables	4,332	1,316
Decrease (increase) in inventories	(17)	10
Decrease (increase) in prepayments	(144)	(94)
Increase (decrease) in payables	1,722	(1,120)
Increase (decrease) in employee benefits	166	22
Increase (decrease) in net deferred tax liabilities	2,644	518
Net cash (outflow) / inflow from operating activities	34,801	29,333

NOTE 23. EX GRATIA PAYMENTS

<i>The authority has made the following ex gratia payments during the period:</i>		
Forgiveness or waiver of debt (i)	-	11
Total ex gratia payments	-	11

(i) Relates to forgiveness of debt for high water usage due to identified leaks and customer hardship write-offs. Includes amounts greater than or equal to \$5,000 or those considered material in nature and have been recognised in the comprehensive operating statement under 'Supplies and Services'.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

NOTE 24. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor, its related practices and non-related audit firms:

	2016 \$'000	2015 \$'000
(a) Victorian Auditor-General's Office Audit of financial statements	51	55
(a) Non-Victorian Auditor-General's Office audit firms Audit and other assurance services	176	120
Total auditors' remuneration	227	175

NOTE 25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At balance date, the Corporation is unaware of any contingent liabilities or assets not recorded or disclosed within the financials statements.

NOTE 26. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

CERTIFICATION

ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

The attached financial statements for the Wannon Region Water Corporation have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

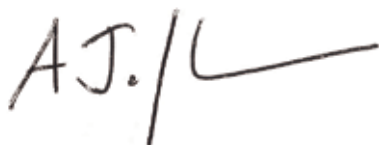
We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2016 and financial position of the 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.

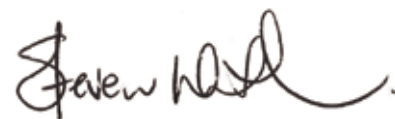
We authorise the attached financial statements for issue on 25 August 2016.



J A Ermacora
Chair
Wannon Region Water Corporation



A R Jeffers
Managing Director
Wannon Region Water Corporation



S J Waterhouse
Chief Finance & Accounting Officer
Wannon Region Water Corporation

AUDITOR-GENERAL'S REPORT

The logo for the Victorian Auditor-General's Office (VAGO) features the word "VAGO" in a bold, blue, sans-serif font. A thin blue horizontal line is positioned directly beneath the letters.

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010

Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Wannon Region Water Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of Wannon Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officers' and chief finance and accounting officer's declaration.

The Board Members' Responsibility for the Financial Report

The board members of Wannon Region 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.

Auditing in the Public Interest

AUDITOR-GENERAL'S REPORT

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 all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Wannon Region 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
26 August 2016


for Dr Peter Frost
Acting Auditor-General

APPENDIX 1

DISCLOSURE INDEX

The 2015/16 annual report of Wannon Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the corporation's compliance with statutory disclosure requirements.

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APPENDIX 1

DISCLOSURE INDEX

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	<i>Victorian Industry Participation Policy Act 2003</i>	43

GLOSSARY OF TERMS

Aquaculture	The culture of aquatic organisms (such as fish, crustacean and aquatic plants) under controlled conditions	Recycled water	Water produced from a water reclamation plant or industry process, treated to a standard appropriate for reuse
Biodiversity	The number and variety of organisms found within a specified geographic region	Reticulation	A network of pipes for distributing water to areas of consumption, such as residential districts and individual households
Biosolids	Organic solids derived from the treatment of sewage, stabilised to the point of being ready for its intended safe reuse (e.g. as a soil conditioner)	Roof Water Harvesting	The process of capturing rain water from roofs in new residential subdivisions and transporting it to an existing raw water storage to be treated before entering the drinking water supply
Bulk entitlement	The right and conditions to water held by water corporations and other organisations as defined in the <i>Water Act 1989</i>	Sewage	Any human excreta or domestic waterborne waste, whether untreated or partially treated, but does not include trade waste
Catchment	An area of land on which water may be caught and collected into a stream, reservoir or aquifer	Sewerage system	The network of pipes, sewers, pump stations, treatment plants and reuse facility or discharge system used to convey of sewage or trade waste
Effluent	An outflow stream from a sewage treatment system	Stakeholder	An individual or group with an interest in an organisation's operations, such as employees, customers, government bodies or the local community
Environment Protection Authority (EPA)	A Victorian Government statutory authority whose purpose is to protect, care for and improve the environment	Storm water	Rainfall run-off
Essential Services Commission	Victoria's independent economic regulator of prescribed essential utility services supplied by the electricity, gas, water, ports, grain handling and rail freight industries	Sustainability	The balance of governance, economic, environmental and social factors in the delivery of business operations
Greenhouse gas	Any atmospheric gases that contribute to the greenhouse effect	Trade waste	Waterborne waste other than sewage (e.g. industrial or commercial liquid wastes) suitable for discharge into the sewerage system
Groundwater	Water beneath the earth's surface in an aquifer or water table	Unplanned interruption	An unforeseen interruption to a water supply system
HACCP	Hazard Analysis and Critical Control Points – a risk management framework used to protect the quality of water	Water reclamation plant	A treatment facility for treating sewage or trade waste suitable for safe reuse or discharge to the environment
Kilolitre (kL)	One thousand (1,000) litres	Water restriction	A restriction to regulate the use of water from the water supply system in periods of water shortage
Major customer	A customer who uses greater than 40 megalitres of water per year	Water Supply Demand Strategy (WSDS)	A 50-year plan to provide sustainable water supplies for the community into the future
Megajoule (MJ)	One million (1,000,000) joules	Water treatment plant	A treatment facility that removes undesirable characteristics from the water, making it "fit for purpose" (such as safe drinking water)
Megalitre (ML)	One million (1,000,000) litres		
OH&S	Occupational Health and Safety – the protection of the health, safety and wellbeing of employees, contractors and visitors		
Permanent Water Saving Measures	Measures aimed at encouraging households not affected by higher level water restrictions to encourage ongoing water conservation and best-practice water use		
Raw water	Water harvested from the surface or below ground prior to any treatment process		

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