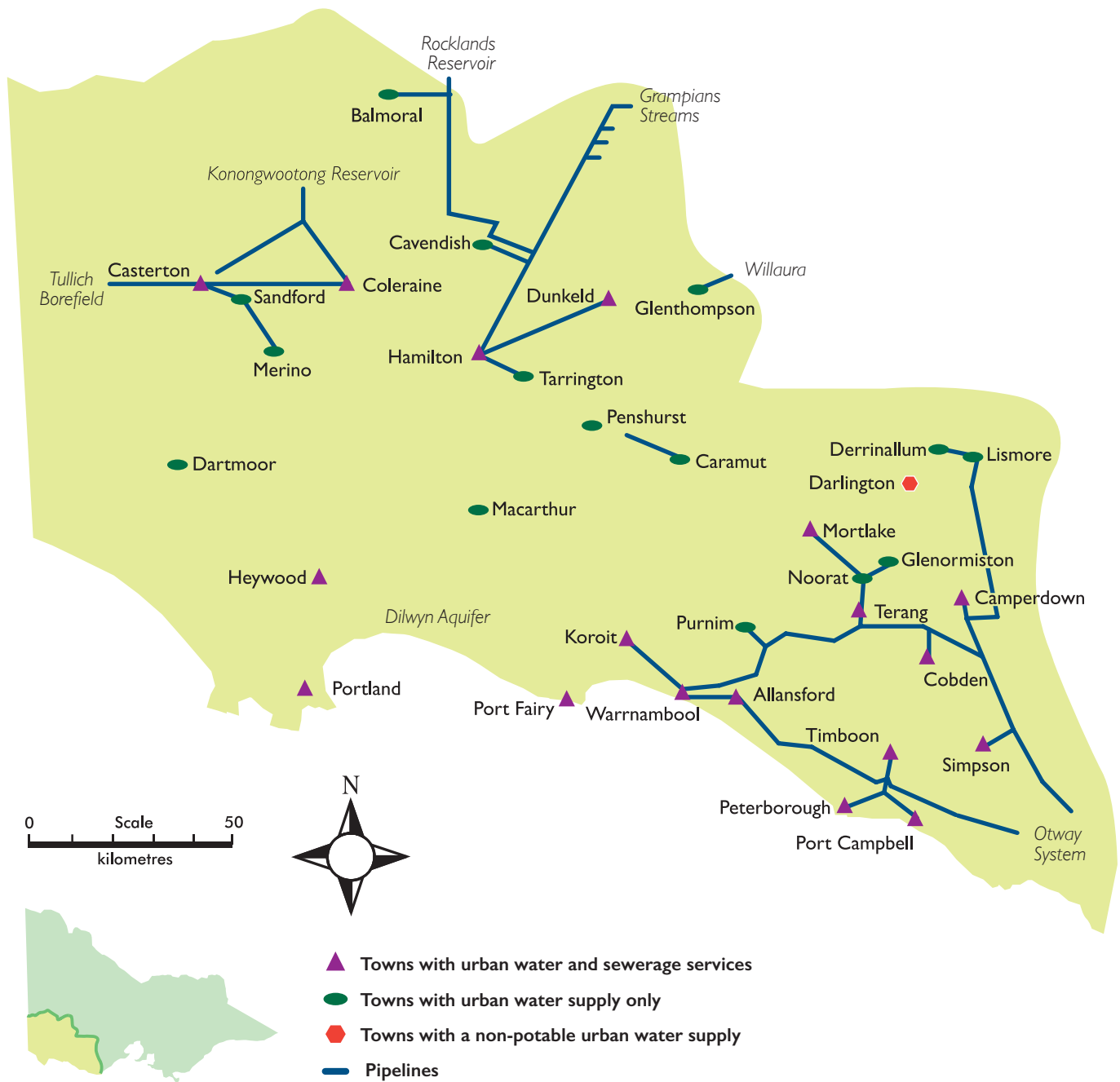




OUR REGION



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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

- Stronger Communities
- Business Excellence
- Value for Customers
- Organisational Capability

STATEMENT OF ACKNOWLEDGEMENT

Wannon Water encourages and promotes diversity, fairness and respect for everyone and acknowledges that Aboriginal and Torres Strait Islanders are Australia's first people and the traditional owners and custodians of the land and the water on which we rely.

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Cover Image: Driving through majestic mountain ash trees in the Otway Ranges

A MESSAGE FROM THE CHAIR AND MANAGING DIRECTOR

THIS 2016/17 ANNUAL REPORT DEMONSTRATES WANNON WATER'S ONGOING COMMITMENT TO CREATE A MORE LIVEABLE, PRODUCTIVE AND SUSTAINABLE SOUTH-WEST VICTORIA.

Planning for the needs of our existing communities and future generations was a key focus for Wannon Water in 2016/17 as we continued to advance our corporate vision "beyond water for strong communities". Our ultimate aim is to create long-term, secure water supply and sewerage services that are environmentally sustainable, socially equitable and cost-effective while improving community outcomes.

Engaging with our customers and stakeholders and seeking their input into our future direction and services has been a highlight of Wannon Water's work during the reporting period. This strongly aligns with the Victorian Government's strategic plan, *Water for Victoria*, which reinforces the government's confidence in the water sector and in the ability of Victorians to collaborate, and to embrace water efficiency, stronger planning, strategic investment and smarter ways of doing more with less water.

Wannon Water was pleased to achieve a net profit before tax of \$3.12 million for the financial year. We generated cash flows of nearly \$24 million from operating activities and invested more than \$21 million in capital infrastructure.

A major task during the past 12 months has involved extensive background work to formulate our 2018-2023 Pricing Submission to the Essential Services Commission (ESC). The submission, to be submitted in September 2017, will outline the proposed levels of service we

provide to customers; the capital and operational spending requirements needed to meet these levels; and the prices our customers will pay for these services. The ESC will assess the submission to determine the prices we can charge customers.

We committed to engaging with our customers throughout the whole process, identifying what their expectations are and what they value, and allowing us to plan accordingly. We learned that most of our customers agree water is a precious resource and they value water saving, water recycling, price incentives and community education. They expect us to be an active contributor in our communities beyond the delivery of water and sewerage services and to protect and enhance the environment. Feedback showed they value Wannon Water's responsive face-to-face and over-the-phone service. More than 50 per cent of customers said they would like improvements to the taste, smell and hardness of their water and they want us to keep our prices low.

Another major project undertaken during the 2016/17 year was the development of our *Urban Water Strategy 2017-2065*, which provides a 50-year forecast of water supply and demand as well as sewerage demand and capacity. The research allows Wannon Water to optimise water resources for a liveable, productive and sustainable south-west Victoria.

The strategy recognises the inter-relationship between water, the needs of the environment and the needs of communities. It accounts for a projected decline in rainfall and streamline flow in south-eastern Australia and addresses water-use patterns in urban communities and using water efficiently so that future generations can continue to flourish. It shows that the south-west is well placed to provide for increasing regional growth through a secure urban water outlook.

Once again, we have called on our customers and community to help us create the strategy and ensure we can meet these challenges together. Their insight and feedback have been invaluable and we sincerely thank them for their willingness to contribute.



Wannon Water Chair Jacinta Ermacora and Managing Director Andrew Jeffers announce a major upgrade of the Warrnambool Sewage Treatment Plant.

Wannon Water also engaged with the community on plans to increase the capacity of the Warrnambool Sewage Treatment Plant to cater for future industry investment and population growth across the district.

The upgrade is estimated to cost between \$30 and \$40 million and will be the largest ever single project undertaken by Wannon Water. It will ensure the plant has sufficient capacity for the projected increase in sewage volumes while continuing to protect the environment. Two new intermittently decanted extended aeration (IDEA) tanks are planned for construction on the northern side of the facility to supplement the four existing tanks.

In early 2017 Wannon Water adopted a Carbon Neutrality Policy and committed to reducing our greenhouse gas emissions by no less than 40 per cent by the year 2024/25. We also pledged to achieve net-zero emissions by 2050, a target set in the *Water for Victoria* plan.

Wannon Water recognises the importance of playing our part to reduce greenhouse gas emissions and keep the global temperature rise to less than two degrees. We have a strong track record as an environmentally sustainable business and are committed to enhancing our environmental performance through climate change mitigation and adaptation.

Focusing on renewable energy projects which provide a positive return on investment, we completed two projects, the installation of a 99.7-kilowatt solar energy system on the roof of our corporate offices in Warrnambool and at the Hamilton Water Treatment Plant (both reducing emissions by 150 tonnes/year). Further planning work is continuing on other financially attractive carbon mitigation projects, including a wind turbine at the Portland Sewage Treatment Plant and renewable energy systems at other facilities across the region. We will use these initiatives to enhance our community's capabilities, reduce energy costs, strengthen the resilience of regional energy supplies and provide new job opportunities.

Another highlight this year was the adoption of an Inclusion and Diversity Policy and a Gender Diversity Plan. With more than 200 employees across the south-west, Wannon Water is committed to a workplace where everyone is treated with respect and feels valued. We aim to lead by example and work with the whole community to instil diversity and inclusion as a business and cultural norm.

On a sad note, we paid tribute to our Western Treatment Operations Coordinator Shane Murrell who died in a vehicle accident near Coleraine in March. Shane was a long-standing employee with 30 years of service, a valuable member of our community and a good friend to many. Our hearts go out to his family, friends and work colleagues.

In accordance with the *Financial Management Act 1994*, we are pleased to present Wannon Water's annual report for the year ending 30 June 2017.

Jacinta Ermacora
Chair
31 August 2017

Andrew Jeffers
Managing Director
31 August 2017

2016/17

A SNAPSHOT

WATER FOR VICTORIA HIGHLIGHTS

- ✓ Five-year Corporate Plan developed to deliver on *Water for Victoria* priorities
- ✓ *Target Your Water Use* campaign promoted
- ✓ *Urban Water Strategy 2017-2025* developed and released
- ✓ Signed off on Carbon Neutrality Policy
- ✓ Pledged by 2025, to reduce greenhouse gas emissions by 40%
- ✓ Committed to net-zero carbon emissions by 2050
- ✓ 100 kw renewable energy systems installed at Gateway Road corporate headquarters and Hamilton Water Treatment Plant
- ✓ Three cultural heritage management plans prepared
- ✓ Recycled 1,728 megalitres of wastewater
- ✓ 100% of water supplied to Warrnambool's Russells Creek growth corridor provided by the annual volume harvested from residential roofs
- ✓ Expanded innovative roof water harvesting project to Horne Road Industrial Estate in East Warrnambool
- ✓ Explored options to reduce summer flow stress on the Gellibrand River by reducing urban water extractions

STRONGER COMMUNITIES HIGHLIGHTS

- ✓ Developed our first State of the Region report to help determine priority initiatives in areas covering education and training, regional prosperity, health and wellbeing and the natural environment
- ✓ Community Engagement Framework developed
- ✓ Approved a five-year Communications Plan
- ✓ Social media introduced as a new communication method
- ✓ 30 new community partnerships formed and existing partnerships maintained
- ✓ Supported the implementation of the Great South Coast Food and Fibre Strategy
- ✓ Partnered with Portland District Health on the Great Tasting Water Project

- ✓ Investigated the feasibility of analysing sewage samples for alcohol and drugs in partnership with local government and health agencies.
- ✓ Nearly 2,000 instances of engagement as part of the Pricing Submission to the Essential Services Commission
- ✓ New members recruited to the Community Advisory Committee, boosting its diversity
- ✓ Piloted project with local councils to streamline provision and collation of data in new subdivisions
- ✓ Engaged with the community and established a Stakeholder Reference Group to help determine the preferred option for upgrading the Warrnambool Sewage Treatment Plant

BUSINESS EXCELLENCE HIGHLIGHTS

- ✓ Profit before tax of \$3.12 million
- ✓ Favourable gearing ratio of 5.84%
- ✓ Self-funded the \$21.7 million annual capital works program
- ✓ Commenced a \$100,000 bushfire mitigation project for Portland water treatment plant
- ✓ Constructed a new groundwater bore, ready for connection and commissioning, in Wyatt Street, Portland, to boost security of the city's drinking water supplies
- ✓ Successfully transitioned to the revised Environmental Management standard 16 months ahead of schedule and retained certification of our Integrated Management System against the OHS and HACCP standards.
- ✓ Selected to participate in a "twinning program" in a partnership between the Australian Water Association and the Vietnamese Water and Sewerage Association sharing knowledge and expertise in the delivery of safe and reliable services.
- ✓ Continued a Maintenance Excellence Program to improve the way maintenance services are managed and deliver operational savings
- ✓ Implemented a Smartrak vehicle safety system to improve employee safety

2016/17

A SNAPSHOT

VALUE FOR CUSTOMERS HIGHLIGHTS

- ✓ Reduced prices a further 2% in real terms beyond the average 0.34% reduction approved by the Essential Services Commission.
- ✓ Delivered the third of four annual \$70 bill reductions for residential water customers
- ✓ Committed to develop a Financial Inclusion Action Plan as one of 30 “trailblazer” organisations nationwide.
- ✓ Provided e-newsletters to customers who had signed on for updates
- ✓ Reticulated water services provided to 382 new customers
- ✓ Reticulated sewerage services provided to 398 new customers
- ✓ Annual consumption per customer dropped by 31 kilolitres
- ✓ Residential water use per person dropped to 157 litres per day – nine per cent less than the previous reporting period
- ✓ More than \$3.5 million provided in community service rebates and grants to eligible customers
- ✓ Hardship rebates were provided to 208 customers and high water usage allowances to 266 customers
- ✓ High customer satisfaction rating maintained (95%)

ORGANISATIONAL CAPABILITY HIGHLIGHTS

- ✓ Employed 216 people across the south-west region
- ✓ Provided 9,340 hours of learning and development for employees
- ✓ Supported four students with an Engineering Scholarship Program
- ✓ Partnered with Westvic Staffing Solutions to offer 12-month traineeships to six trainees in 2016 and seven trainees in 2017
- ✓ Participated in White Ribbon Day and the 16 Days of Activism campaign against family violence
- ✓ Reduced the Lost Time Injury Severity Rate from 8.3 days to 0.36 days
- ✓ Continued to implement our Inclusion and Diversity Policy
- ✓ Offered free health checks, skin checks and influenza immunisations to all employees
- ✓ Provided scholarships to three marine biology students and sponsored a community place in the Leadership Great South Coast Program

KEY HIGHLIGHTS



Former Portland District Health executive Ros Jones and Wannon Water General Manager Service Delivery Ian Bail launch the Great Tasting Water project.

WE'RE ALL ABOUT WATER ... AND BEYOND

In 2016/17 Wannon Water declared its new vision of going "beyond water for stronger communities". That vision is now becoming reality as we begin to implement projects that contribute to a liveable and sustainable south-west Victoria.

We're proud to play our part in the prevention of obesity in the region. Working with organisations such as Deakin University, the Southern Grampians Glenelg Primary Care Partnership, GenR8 Change, SEA Change Portland and other organisations and communities involved in this project, together we aim to improve broader health outcomes for people living in the region, particularly children.

We have partnered with Portland District Health in a pilot project designed to reduce community obesity by improving the taste of the drinking water supply and eliminate the need to purchase bottled water.

Towns such as Portland, Port Fairy and Heywood are supplied with water from deep groundwater bores. Although it is safe and of high quality, we acknowledge there are lower rates of customer satisfaction with the taste compared to towns supplied with water from rivers and streams.

The project involves an upgrade of the hospital's existing water filtration plant which has until now been used to supply sterilisation and disinfection processes. The normal town supply will be blended with this filtered

water to produce great tasting water, encouraging more staff and patients to drink it. It is anticipated the improved water will also extend the life of the hospital infrastructure, resulting in financial savings to the hospital.

Two drinking water fountains will be installed outside the hospital encouraging members of the public to *Choose Tap* by refilling their own water bottles when they are out exercising or walking.

We plan to use the results of the Portland pilot to investigate opportunities to improve this trend more widely in the next few years.

Wannon Water also installed three new drinking water fountains at public sites in Hamilton in partnership with Southern Grampians Shire Council and the GenR8 Change program. We want to make it easy for people to *Choose Tap* and provide an environmentally friendly and low-cost alternative to bottled water or other drinks.

More than 1,300 foundation students enjoyed a healthy start to the year thanks to our ongoing initiative of supplying free refillable water bottles to regional schools. The annual program encourages students to drink water, recognise their hydration needs and raise awareness about reuse and recycling.

Wannon Water's *Choose Tap* initiative also supports community sport, local festivals and events across the region. As well as the school water bottles, Wannon Water also provides hundreds of larger reusable water bottles to sporting teams and community groups each year as part of its annual sponsorship program.

KEY HIGHLIGHTS



Wannon Water project manager asset creation Sophie Baulch inspects the progress of a new \$2.1 million trunk sewer in South Warrnambool

PLANNING FOR THE FUTURE

Future economic investment and population growth across the Great South Coast region has been the focus of a number of major projects being planned and implemented by Wannon Water in the 2016/17 financial year. Our ultimate aim is to create long-term, secure water supplies and sewerage services that are environmentally sustainable, socially equitable and cost-effective.

Our new *Urban Water Strategy* provides a 50-year forecast of water demands across the region taking into account population growth, climate change and water security. It shows that the south-west is well placed to provide for increasing regional growth through a secure urban water outlook. The strategy projects that the overall population served by Wannon Water will increase from 84,172 in 2016 to 113,472 in 2065. It also forecasts a rapid growth in total demand over the next five years from our 13 major customers. They comprise mainly milk and food processors who use 25 per cent of the region's total water consumption.

In March 2017, we began the community engagement process for our largest ever single project, the \$30 - \$40 million upgrade of the Warrnambool Sewage Treatment Plant. The aim is to ensure the plant has sufficient capacity to support residential development and the economic growth of local industries while continuing to protect the environment. Two new intermittently decanted extended aeration (IDEA) tanks are proposed for the northern side of the facility to supplement the four existing tanks. The IDEA technology is robust and proven and has been used at plant for more than 20 years.

A Stakeholder Reference Group provided advice to the Board to help determine the preferred upgrade option for the community and the region as a whole.

A number of upgrade projects were undertaken at the sewage treatment plant during the period, including the replacement of diffusers, a main switchboard and belt filter press and the refurbishment of inlet pipework at a total cost of more than \$3 million.

Work on a new \$2.1 million trunk sewer began in South Warrnambool in late 2016, duplicating an existing line that transfers most of the city's sewage to the treatment plant. The project is part of our ongoing commitment to reliable service delivery and is an important proactive measure that will ensure the sewerage system can meet the city's needs for the next 30 years and beyond.

A new water production bore was commissioned during the year at Wannon Water's Wyatt Street depot in Portland. The \$2.9 million project provides a back-up for the city's primary drinking water, which is sourced from two bores at Bald Hill, and is essential to maintain a reliable and adequate water supply for Portland's domestic customers and industries.

Wannon Water is also working in partnership with a number of government agencies in an effort to improve the health of the Gellibrand River and its ecosystems. The Gellibrand Summer Flows Improvement Project is investigating the use of groundwater from new or existing bores as a substitute for river water during the low-flow period.

CORPORATE PROFILE

WANNON WATER PROVIDES SERVICES THAT ARE INTEGRAL TO THE ECONOMIC PROSPERITY AND HEALTH AND WELLBEING OF OUR COMMUNITY. AS A PROVIDER OF AN ESSENTIAL PUBLIC SERVICE, WE HAVE ALWAYS HAD AN IMPLICIT SOCIAL ROLE, WHICH INCLUDES ENHANCING GROWTH WITHIN OUR REGION.

ABOUT US

Wannon Water (Wannon Region Water Corporation) is a regional urban water corporation wholly owned by the Victorian State Government and constituted under the *Water Act 1989* as a statutory corporation in July 2005. The responsible Minister from 1 July 2016 to 30 June 2017 was the Hon. Lisa Neville MP, Minister for Water.

Wannon Water is Victoria's second largest regional urban water corporation, covering a 23,500 square kilometre region in south-west Victoria in the municipalities of Warrnambool City, Corangamite Shire, Glenelg Shire, Moyne Shire, Southern Grampians Shire and Colac Otway Shire.

We provide services to more than 84,000 residents and 34 towns, including residential, commercial, industrial and rural customers. Our functions include the collection, storage, treatment and delivery of water; the collection and treatment of sewage and trade waste; and water recycling.

We manage more than \$770 million in assets, provide 10,600 megalitres of water, treat 12,000 megalitres of sewage and trade waste and provide nearly 2,000 megalitres of recycled water for reuse each year.

Wannon Water is a major employer with more than 200 operational, engineering, financial, environmental and administrative employees serving a population base of 84,500 people. We embrace all forms of diversity and promote family-friendly working hours and leave arrangements to ensure our workforce is representative of the community that we serve.

CUSTOMERS

**NOTE – The average consumption per customer figure covers all customer segments including seven major industries who each use more than 100 megalitres per year.*

Our customer base is composed of 85 per cent residential customers, 11 per cent business customers and four 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 2016/17 (kilolitres)
Residential	36,353	4,943	46%	5,194	136
Business	4,642	3,634	34%	3,779	783
Rural	1,771	2,161	20%	2,445	1,220
Total	42,766	10,737	100%	11,418	251*

WATER SOURCES

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

Wannon Water provides secure, safe and affordable water and sewerage services that are highly valued by our customers. Because we have established this solid foundation for our business, we are able to think beyond these traditional services with the aim of strategically partnering with other organisations to help build stronger communities in south-west Victoria.

OUR VISION:

Beyond water for strong communities

We understand that the water and sewerage services we provide are essential for life. The overall wellbeing of urban and rural communities and the success of small, medium and large businesses is integral to the long-term success of our organisation. Our vision underpins our focus on supporting stronger communities.

OUR MISSION:

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

We endeavour to deliver superior customer, community and stakeholder value and improve community outcomes by creating shared value (win-win outcomes) for the community and Wannon Water.

OUR CORPORATE OBJECTIVES:

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 proactive actions and considering carbon neutrality.
- We will enhance the health of natural capital (water, biodiversity, soil and air) within our region.

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.

AT A GLANCE

	2016/17	Change (%)	2015/16	Change (%)	2014/15	Change (%)	2013/14	Change (%)	2012/13	Change (%)
Population served	84,475	0.4	84,172	1.2	83,177	0.3	82,941	0.8	82,281	0.4
Connected properties (water)	42,766	0.7	42,466	0.5	42,261	0.6	42,008	1.1	41,550	0.8
Connected properties (sewerage)	36,492	1.0	36,146	0.9	35,839	1.2	35,419	1.2	35,009	0.9
Water treatment plant volumes (ML)	10,311	-12.4	11,772	4.7	11,240	-3.1	11,604	-4.7	12,176	1.9
Sewage treatment plant volumes (ML)	11,910	20.0	9,905	-4.1	10,347	-4.1	10,786	14.3	9,436	-5.4
Employee numbers (FTE)	205	9.0	188	-0.5	189	-7.8	203	-0.5	204	-1.9
Number of days lost to injury	21	-16.0	25	-39	41	310	10	-68.8	32	-53.6
Total revenue (\$'000)	74,512	-3.2	77,006	0.3	76,786	4.6	73,432	-4.2	76,680	-4.2
Net operating result before tax (\$'000)	3,118	-61.7	8,145	64.2	4,959	90.3	2,606	-69.7	8,593	75.0
Total assets (\$'000)	769,718	-0.9	776,364	32.2	587,121	-0.8	591,681	-1.4	600,351	1.3
Capital expenditure (\$'000)	21,112	23.0	17,170	3.6	16,573	-18.1	20,237	-16.0	24,106	-21.8

CORPORATE GOVERNANCE

WANNON WATER IS GOVERNED BY AN EIGHT-MEMBER BOARD. THE ROLE OF THE BOARD IS TO SET THE STRATEGIC DIRECTION FOR WANNON WATER BY ESTABLISHING GOALS AND OBJECTIVES FOR SENIOR MANAGEMENT. THE BOARD ALSO MONITORS WANNON WATER'S PERFORMANCE AND REPORTS TO THE VICTORIAN GOVERNMENT.



Board of Directors:

Back row: Rob Wallis, Sharon Lewis, Michael Crutchfield, Russell Worland, Georgina Gubbins, Managing Director Andrew Jeffers. Front: Chair Jacinta Ermacora and Deputy Chair 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.

JACINTA ERMACORA - CHAIR

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

Jacinta is a qualified quality improvement performance assessor, company director and social worker. She is currently a member of the Great South Coast Australian Institute of Company Directors regional committee. Previously she was a founding director and deputy chair at Wannon Water and a director at Glenelg Hopkins Catchment Management Authority. Jacinta was a Warrnambool City Councillor for 12 years, including two as mayor. 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, Chair of the Southern Grampians Shire Council Audit Committee, Independent Chair of Headspace South West, and Chair of Abbeyfield Aged Care Mortlake.

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 his 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 Fellow 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.

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

CORPORATE GOVERNANCE

Professional Practice Management and is a graduate of the Australian Institute of Company Directors.

Sharon is passionate about regional Victoria and has a strong interest in sustainable resource management, business efficiency and customer service. She has spent the last few years working in the health management sector, and is currently the Executive Officer to the Barwon Health Board of Directors.

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 Member 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
Jacinta Ermacora	11 of 11	-	3 of 3	8 of 8	2 of 2	1 of 1
Michael Crutchfield	8 of 11	-	-	7 of 8	2 of 2	-
Georgina Gubbins	10 of 11	3 of 3	3 of 3	7 of 8	-	-
Andrew Jeffers	10 of 11	-	-	7 of 8	2 of 2	-
Sharon Lewis	11 of 11	3 of 3	-	7 of 8	2 of 2	-
Mick Murphy	11 of 11	-	3 of 3	8 of 8	-	2 of 2
Rob Wallis	9 of 11	3 of 3	3 of 3	7 of 8	-	-
Russell Worland	9 of 11	2 of 3	-	8 of 8	-	2 of 2

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, and an ongoing rolling program of 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 judgement 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; and
- 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, Rodney Coutts and Shannyn Carter.

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 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, Rob Wallis and Russell Worland, as well as Managing Director Andrew Jeffers.

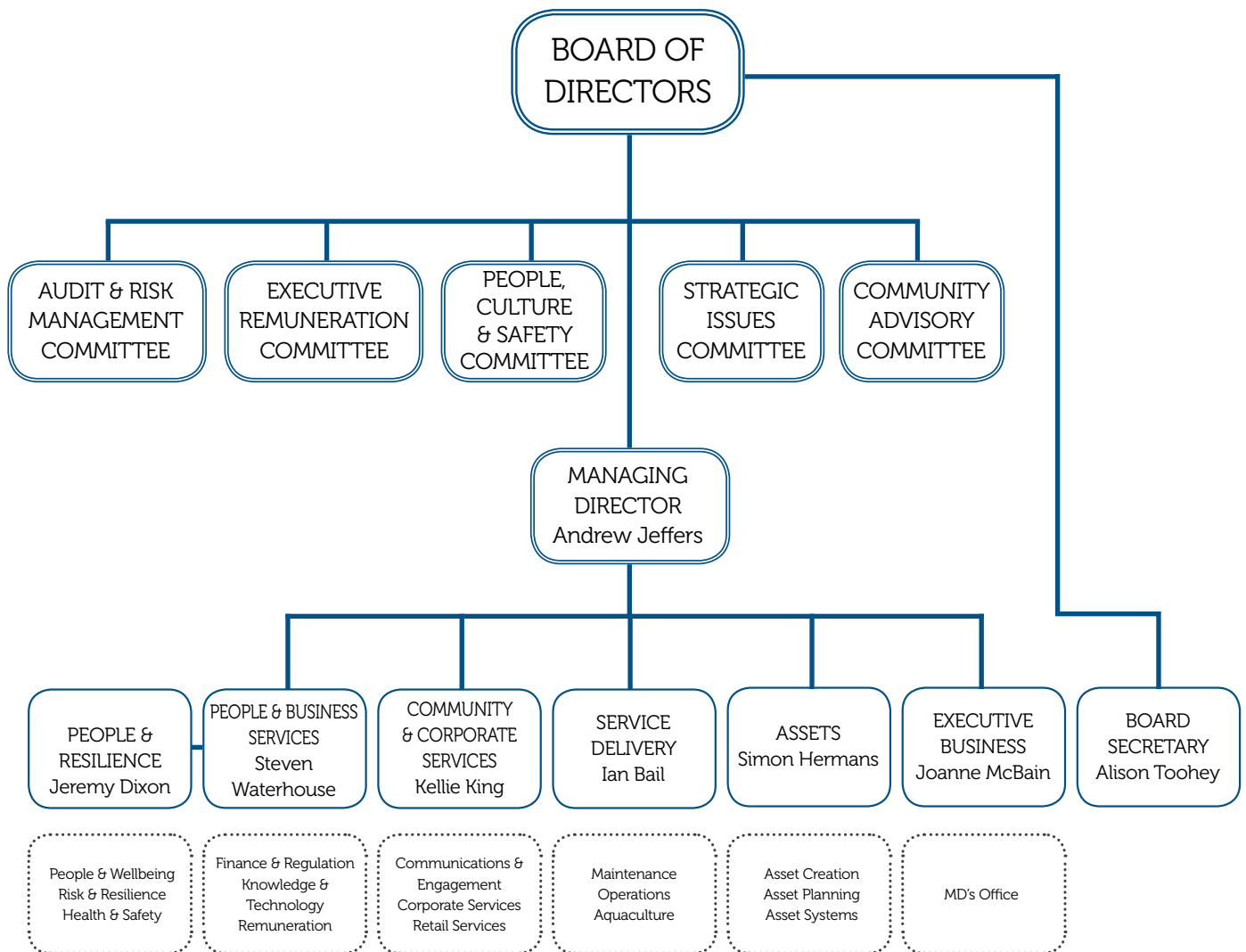
Community Advisory Committee

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. Five new members joined the committee during the reporting period.

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

ORGANISATIONAL STRUCTURE

AS AT 30 JUNE 2017



STRONGER COMMUNITIES

CORPORATE OBJECTIVES:

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

WE ARE A VISIONARY AND INFLUENTIAL COMMUNITY PARTNER, HELPING OUR REGION FLOURISH THROUGH IMPROVED SERVICE, EDUCATION AND TRAINING, HEALTH, RECREATIONAL AND ENVIRONMENTAL OUTCOMES, SUPPORTING COMMUNITY INITIATIVES AND ASSISTING THOSE IN NEED.

ENGAGING WITH OUR COMMUNITY

Wannon Water defines community engagement as a *genuine process of working with people to build capacity, strengthen relationships and inform decisions*. Community engagement is essential to understanding our customer needs, enhancing the value of the services we provide and strengthening the communities in which we operate.

This year Wannon Water has been active implementing its first Community Strategy, *Partnering for Stronger Communities*, to drive our new corporate vision, 'beyond water for strong communities'. The initiatives within the strategy are two-fold. Firstly they focus on developing and embedding systems that will enable a sustainable approach for delivering upon community partnerships in the long term. Secondly, they kick-start a myriad of new partnerships that harness our existing organisational capability and resources. Importantly, the strategy aims to identify initiatives that have shared value for Wannon Water and its communities to deliver "win-win" solutions for all.

To build organisational understanding of our communities and vice versa, many important pieces of work have been undertaken in the reporting period. These have included the development of a *State of the Region Report* which describes the economic and social context of Wannon Water's operating environment, an organisation-wide *Community Engagement Framework*, a five-year *Communications Plan*, and introduction of the use of social media.

In 2016/17 Wannon Water has continued to maintain many of its existing community partnerships. Additionally it has commenced more than 30 new ones in the areas of regional prosperity; health and wellbeing; education, training and volunteering; and natural environment. Examples of these include supporting the implementation of the *Great South Coast Food and Fibre Strategy*, the *Great Tasting Water* project with Portland District Health, and the feasibility study into *Wastewater Measurement for Alcohol and Drugs* with local government and health agencies.

Wannon Water's customer and community engagement focus during the reporting period has been critical in informing our 2018-23 Pricing Submission to the Essential Services Commission. This five-year plan for service delivery sets out the expenditure, revenue, service levels, and prices that Wannon Water seeks to deliver over the regulatory period. During 2016/17 there were nearly 2,000 instances of engagement including:

- A 'broad engagement round' in late 2016 such as focus groups, an online customer survey, and interviews with plumbers, solicitors and major customers.
- A 'deep engagement round' in early 2017, including a deliberative forum, a developers' forum, meeting with local councils and regional organisations, community focus groups and a follow-up online survey.
- An annual customer phone survey in June 2017.
- Engagement was also undertaken for multiple projects, including the *Urban Water Strategy*, the Warrnambool Sewage Treatment Plant Upgrade and the Gellibrand Summer Flows Project.

COMMUNITY ADVISORY COMMITTEE

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

Following several resignations in recent years, Wannon Water held a successful recruitment drive during the reporting period, which yielded five new committee members and resulted in a reinvigorated and more diverse committee.

In 2016/17, the committee played an integral role in an extensive engagement process designed to inform Wannon Water's 2018-23 Pricing Submission. At a facilitated deliberative forum, the committee reviewed evidence and findings from earlier engagement with the broader community then considered five specific key challenges: taste, hardness and colour; a fair billing structure; unconnected charges; water for liveability; and the draft customer outcomes that will guide the Pricing Submission itself. The committee's recommendations then helped Wannon Water draft its proposals for the Pricing Submission ahead of further review by the committee in July 2017.

STRONGER COMMUNITIES

During the year, the committee also provided valuable input and advice regarding Wannon Water's community strategy, carbon pledge, *Urban Water Strategy*, the Warrnambool Sewage Treatment Plant Upgrade Project and the Portland Great Tasting Water Project.

As at 30 June, the committee members were: John Wilken (Chairperson), Lou Hollis (Vice Chairperson), Tim Clingan, Matt Colla, Tom Doherty, Alex Dupleix, Amy Gibson, Les Harrison, Joseph Milani, Tom Nieuwveld, Judith Sarto, Frank Zeigler, and Wannon Water Directors Mick Murphy and Russell Worland. The Board and staff thank the members for their time and valued deliberations during the reporting period, especially on the Pricing Submission and other key strategies.

CULTURAL HERITAGE

At Wannon Water, we recognise and acknowledge that Aboriginal and Torres Strait Islanders are Australia's first peoples and the traditional owners and custodians of the land on which we operate our service, including the water on which we rely.

As part of our commitment to increase Aboriginal cultural awareness across the organisation, Wannon Water provided several opportunities for Board Directors and employees to go on Gunditjmara country and participate in a tour of the Budj Bim National Heritage Landscape.

Further activities that also support Aboriginal inclusion, participation, engagement and employment will be developed as we implement our Inclusion and Diversity Management Plan.

Wannon Water prepared three cultural heritage management plans in accordance with the *Aboriginal Heritage Act 2006* during the reporting period. Plans were developed for the Cassidy's Bridge Rising Main, the Port Fairy Water Treatment Plant and the Port Campbell Emergency Storage Projects.

Wannon Water appointed a cultural heritage consultant to prepare the cultural heritage management plans and liaise with Registered Aboriginal Party applicants.

ENVIRONMENTAL SUSTAINABILITY

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 gave further weight to our Environmental Policy by adopting an updated Scope Statement for our Environmental Management System (EMS). The EMS covers all the core activities of Wannon Water, including harvesting, storage, treatment and distribution of drinking water and the collection, transportation, treatment and reclamation of sewage. We also adopted a new set of environmental objectives and targets, including key performance indicators for which we will be accountable, and were successful in having our Environmental Management System externally audited and recommended for certification to the updated ISO14001 standard.

A significant community engagement process helped us prepare our pricing submission for the period 2018-2023. We heard that most of our customers expect us to do more than the minimum required by law to protect the natural environment, and that they highly value water for the environment in dry times. This aligns with our existing approach.

Regional Catchment Management Strategy

Wannon Water has participated in Regional Catchment Strategies during the reporting period in partnership with the Glenelg Hopkins Catchment Management Authority and the Corangamite Catchment Management Authority.

We are working with both authorities under the *Our Catchments Our Communities* program. Projects include an On Farm Water Efficiency Project, Sustainable Dairies Project and a Catchment Carbon Offset Trial. Following severe floods in Coleraine and Casterton in September 2016, we also flagged a regional flood warning system as a high priority for community preparedness and resilience.

STRONGER COMMUNITIES

Victorian Waterway Management Strategy 2013 and Regional Waterway Strategy

The *Victorian Waterway Management Strategy* provides a framework for the management of rivers, estuaries and wetlands across Victoria. The strategy aims to maintain or improve the environmental condition of Victoria's waterways.

Wannon Water complies with its environmental obligations under its Bulk Entitlements issued under this framework, including providing passing flows at its North and South Otway offtakes on the Gellibrand River, and providing passing flows on the tributaries of Tea Tree Creek in the Grampians supply system, north of Hamilton.

The Corangamite and Glenelg Hopkins waterway strategies provide regional implementation of the Victorian strategy and aim to improve the health of the region's waterways. Wannon Water supports these strategies.

State Environmental Protection Policy (SEPP)

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 sewage treatment plants at Simpson, Cobden and Heywood.

Ecological Risk Assessments (ERA) were conducted for the receiving environments at Heywood and Cobden to assess the potential impacts of discharges on the environmental, economic and social values of waterways. Wannon Water participated in a Victorian Water Industry Association (VicWater) reference group to review the SEPP and in workshops facilitated by the Environment Protection Authority Victoria.

Victorian Biodiversity Strategy

Protecting our natural environment has been a high priority for Wannon Water in the reporting period. We have encouraged customer involvement in biodiversity conservation through awareness and active engagement, including with indigenous people, land managers, private enterprise, community groups, local government and Catchment Management Authorities.

We continued the ongoing management of significant flora and fauna species across 2,500 hectares of Wannon Water land, and assessed nine high priority sites to update our biodiversity register and establish a foundation for managing biodiversity information.

A management plan was implemented at the Dunkeld Sewage Treatment Plant to maintain and improve the condition of native vegetation and threatened species habitat, including Striped Legless Lizard, Growling Grass Frog and Plump Swamp Wallaby-grass. Other projects included the development of a heathland management plan at the Portland Water Treatment Plant and native grassland trials at the Hamilton Water Treatment Plant.

Community education and awareness

A new initiative introduced this year was *Target Your Water Use*, a voluntary water efficiency program designed to assist and encourage regional Victorians to use their water wisely. *Target Your Water Use* is promoted on Wannon Water's websites and bills, ensuring that our customers have access to the information they need to make informed decisions about the amount of water they use.

Wannon Water also continued to actively promote water efficiency through our schools and community education program (reaching more than 2,000 people), 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.

Local government

Wannon Water values its close working relationships with local government. We continue to collaborate 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 water supply works with the significant upgrade of Warrnambool's main street - Liebig Street. This resulted in a number of cross road services and some older mains being replaced, reducing the likelihood of disturbing the new pavements over the coming years.

Wannon Water has also partnered with councils in our region as part of a pilot project to streamline the provision and collation of data on infrastructure installed

STRONGER COMMUNITIES

as part of new subdivisions. The pilot project involves details of constructed water and sewerage works being provided in a specific format for direct loading into Wannon Water's asset management systems. The project is known as AC/DC (as constructed design certification) and incorporates the A-Spec data standards through an online portal.

Urban Water Strategy

Wannon Water's new *Urban Water Strategy 2017-2065* is consistent with the Victorian Government's *Water for Victoria* plan and provides a detailed forecast of water demands across the region taking into account population growth, climate change and water security.

The strategy recognises the inter-relationship between water, the needs of the environment and the needs of communities. It allows for a rapid growth in total demand over the next five years from the corporation's 13 major customers to reflect their advice. They comprise mainly milk and food processors who use 25 per cent of the volume supplied to customers.

The strategy shows that Wannon Water's groundwater-supplied systems will have sufficient supply to meet projected demand for the next 50 years. Of our surface water systems, Glenthompson requires minor augmentation in coming years to avoid water restrictions if demand increases or supply falls. No other augmentation works are required during the next five years to meet the forecast demand for water.

If a high-demand scenario was to eventuate in regions supplied by the Otway System, which is by far the largest of Wannon Water's systems, its augmentation would be required as early as 2030.

The innovative Warrnambool Roof Water Harvesting Project (refer right) is already alleviating demand from the Otway System. The longer term augmentation plan is to bring an existing back-up bore at Curdievale fully online to cater for Warrnambool's future growth.

The *Urban Water Strategy* was prepared in consultation with customers, local councils, industry, businesses, other water agencies and traditional owner groups. It is a living document subject to major review every five years.

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 38 megalitres of roof water from the roofs of connected houses, an increase on the 20 megalitres harvested in 2015/16.

This system is progressively being expanded as development occurs in Warrnambool's main north-east growth corridor over the next 30 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 works are planned for completion in the 2017/18 financial year and, when fully developed, this stage is expected to harvest 25 megalitres per year.

Western Region Sustainable Water Strategy

The Victorian Government's *Western Region Sustainable Water Strategy*, 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 summer low flows in the Gellibrand River. Working with the Corangamite Catchment Management Authority, the identification and assessment of a range of options 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 further investigating the groundwater substitution options to progress this initiative.

STRONGER COMMUNITIES

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.

Recycling water

A wet winter in 2016 followed by a mild summer saw full recycled water storage levels, with some customers being challenged to irrigate the supply over the mild 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 74 megalitres at the screening plant and belt press at the Warrnambool Sewage Treatment Plant, offsetting drinking water use for this site.

The volume of recycled water reused during the reporting period was 1,656 megalitres. This represents 14.7 per cent of the overall available supply of treated effluent. Most of the recycled water was used for agriculture over the irrigation season.

Support for industry

Wannon Water works with local industry across south-west Victoria to improve water management outcomes, particularly in providing ultra-filtrated recycled water for the Mortlake Power Station and Iluka Resources Mineral Sands Separation Plant at Hamilton.

Our brine receival facility in Warrnambool provides a local solution for treating salty trade waste from large industries.

Aquaculture project

Over the past eight years, Wannon Water has undertaken research utilising goldfish to assist with sludge reduction in lagoon-based sewage treatment plants. The initiative has the potential to aid in the treatment of sewage with lagoon-based systems, reduce carbon emissions and to offset operating expenditure specifically associated with the de-sludging of lagoon systems.

Wannon Water is currently concluding a controlled research trial at the Port Campbell Sewage Treatment Plant, where there are twin primary lagoons fed equally with raw sewage. One lagoon has been stocked with 75,000 goldfish, the other maintained as a control. This trial will enable a direct comparison between primary lagoons to determine the impact of goldfish on primary sludge volumes and determine ongoing application within the water industry.

Wannon Water continues to own and operate a fish hatchery in Warrnambool as part of this project in addition to a Juvenile Fish Production Facility in Hamilton.

Wannon Water is currently seeking industry partners to assist with the completion of this current aquaculture research and to build further on the successful spawning of hybrids to develop a superior fish for sewage lagoon remediation.

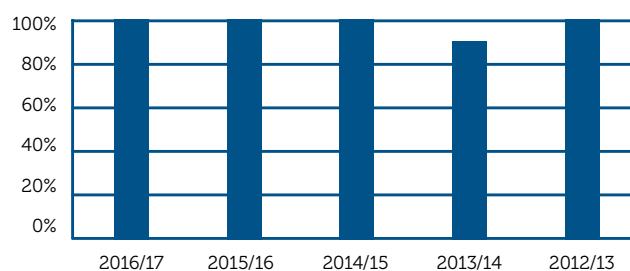
BIOSOLIDS REUSE

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 sewage treatment plants to its biosolids treatment facility at Camperdown, and reused 100 per cent of available biosolids by applying 3,040 dry tonnes to farm land.

Percentage of Biosolids Used



STRONGER COMMUNITIES

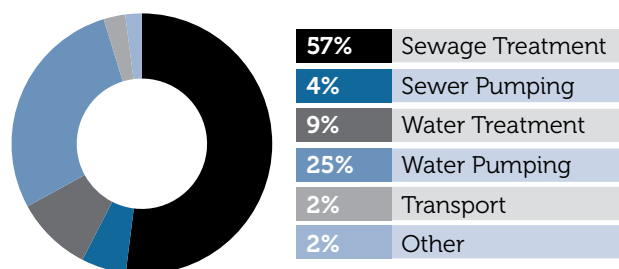
GREENHOUSE GAS EMISSIONS

Wannon Water produced 28,880 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.

In early 2017 Wannon Water committed to reducing our emissions by no less than 40 per cent by the year 2024/25.

Wannon Water significantly reduced emissions from its water treatment and water supply systems due to higher rainfall and lower demand in the service region. Emissions from sewage treatment and the vehicle fleet also reduced slightly.

Wannon Water installed 200 kilowatts (kW) of solar energy projects during the year. An 800kW wind turbine (emission reduction 2,500 t/y) is due for construction in 2017/18 and several further renewable energy opportunities are being investigated to reduce operating costs, reduce emissions and deliver value for our customers.



Emission by activity	2016/17 (t CO ₂ -e)	2015/16 (t CO ₂ -e)	2014/15 (t CO ₂ -e)	2013/14 (t CO ₂ -e)	2012/13 (t CO ₂ -e)
Water treatment	10,158	13,530	12,143	10,628	13,680
Sewage treatment	17,459	18,132	18,147	16,897	15,371
Transport	706	773	807	850	832
Other (inc. office energy use)	557	535	628	720	703
Reductions / offsets	0	0	0	0	0
Total	28,880	32,970	31,725	29,095	30,586

Net energy consumption	2016/17 (MJ/ML)	2015/16 (MJ/ML)	2014/15 (MJ/ML)	2013/14 (MJ/ML)	2012/13 (MJ/ML)
Water supply	3,152	3,599	3,250	2,879	3,802
Sewage treatment	3,018	3,355	3,510	3,499	4,688

Net energy generation (MWh)	2016/17 (MWh)	2015/16 (MWh)	2014/15 (MWh)	2013/14 (MWh)	2012/13 (MWh)
	21.6	0	0	0	0

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; and
- 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 2016/17.

STRONGER COMMUNITIES

Summary Of Bulk Entitlements 2016/17:

Bulk entitlement	Volume of entitlement (ML)	Volume extracted in 2016/17 (ML)	Percentage of bulk entitlement extracted in 2016/17	Water in storage at 30 June 2017 (ML)
Otway System Conversion Order	12,580	8,374	67	2,010
Hamilton Conversion Order	3,435	1,611	47	2,019
Coleraine, Casterton & Sandford Conversion Order	855	134	16	1,850
Dunkeld Conversion Order	170	63	37	99
Glenthompson Conversion Order	94	13	14	74
Wimmera and Glenelg Rivers - Wannon Water Order 2010	2,120	40	2	5,481
Willaura System Conversion Order 2012	58	39	68	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 2016/17	8,374 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

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 2016/17	1,611 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

STRONGER COMMUNITIES

Bulk Entitlement (Dunkeld System) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2017	9.46 m – 99 ML
13.1(c) - volume taken 2016/17	63 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 (Glenthompson) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2017	
Glenthompson Reservoir	3 m – 73 ML
Railway Reservoir	0 m – 0 ML
13.1(c) - volume taken 2016/17	13 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 (Coleraine, Casterton and Sandford) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2017	4.5 m – 1,850 ML
13.1(c) - volume taken 2016/17	134 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 (Wimmera and Glenelg Rivers – Wannon Water) Conversion Order 2010

13.1(b) – volume taken at each of the off-take points for 2016/17	2 ML to Hamilton Pipeline; 38 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	784 ML (37%)
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

STRONGER COMMUNITIES

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

10.1(b) – annual amount of water taken under this entitlement for 2016/17	39 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	Nil

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 2016/17 (ML)
Albert Park	BEE024155 (1152971)	750	395.7
Bullawin	BEE026192 (911313)	1,102	0
Caramut	BEE021943 (924563)	50	30.7
Carlisle	BEE029488 (9016487)	1,800	36.2
Casterton	BEE022551 (885355)	1,000	361.7
Condah	4001451	N/A	0
Curdie Vale	904309	2,150	0
Darlington	BEE021827 (1082159)	10	2.6
Dartmoor	9016786	150	17.2
Heywood	900184	333	109.7
Koroit	BEE029066 (899038)	524	0.6
Macarthur	BEE021944 (4001451)	130	23.7
Mocamboro	BEE026109 (903701)	100	0
Mortlake	BEE030858 (907049)	335	11.4
Penshurst	BEE036146 (914444)	250	95.4
Port Campbell	BEE026252 (904309)	1,009	319.6
Port Fairy	890472	1,026	588.5
Portland	923621	6,222	1716.5

BUSINESS EXCELLENCE

CORPORATE OBJECTIVES:

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

WE ARE A RESPONSIBLE, RELIABLE, EFFICIENT AND VISIONARY ORGANISATION IN A STRONG FINANCIAL POSITION AND WITH THE RIGHT MANAGEMENT SYSTEMS IN PLACE TO DELIVER AFFORDABLE, WORLD-CLASS WATER AND SEWERAGE SERVICES NOW AND INTO THE FUTURE.

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 \$3.12 million for the reporting period. This was a \$1.69 million improvement on the budget for the year but is a \$5.03 million decline on the previous year. The majority of this decline related to water usage charges due to increased rainfall in 2016/17 compared to the prior year. The implementation of efficiency initiatives delivered the significant operational expenditure savings compared to budget.

Wannon Water generated cash flows of \$23.9 million from operating activities. Combined with \$6.9 million in opening cash balances, Wannon Water invested \$21.1 million in capital infrastructure and decreased interest-bearing liabilities by \$9.4 million.

The table below provides the financial highlights in 2016/17 compared with the previous four years.

Financial Result	2016/17 (\$'000)	2015/16 (\$'000)	2014/15 (\$'000)	2013/14 (\$'000)	2012/13 (\$'000)
Core business revenue	69,832	73,113	71,127	69,340	68,532
Capital Revenue	1,049	620	1,916	613	921
Government contributions	552	82	74	107	1,340
Other revenue	3,079	3,191	3,669	3,373	5,887
Total revenue	74,512	77,006	76,786	73,432	76,680
Operating expenditure	43,173	41,468	42,607	40,242	37,868
Depreciation & amortisation expenditure	21,959	21,705	22,947	23,873	23,362
Finance costs	3,212	4,400	4,875	5,647	5,979
Other expenditure	3,050	1,288	1,398	1,064	878
Total expenditure	71,394	68,861	71,827	70,826	68,087
Net result before tax	3,118	8,145	4,959	2,606	8,593
Current assets	17,922	23,456	19,046	18,346	21,048
Non-current assets	751,976	752,908	568,075	573,335	579,303
Total assets	769,718	776,364	587,121	591,681	600,351
Current liabilities	20,049	19,813	18,574	20,362	21,177
Non-current liabilities	134,743	143,772	95,893	105,945	115,722
Total liabilities	154,792	163,585	114,467	126,307	136,899
Net cash flows from operations	23,943	34,801	29,333	26,409	27,241
Payments for property, plant and equipment (including infrastructure)	21,112	17,170	16,573	20,237	24,106

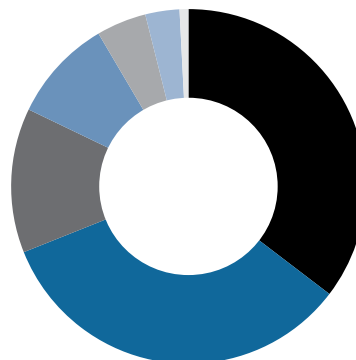
BUSINESS EXCELLENCE

OUR REVENUE

Total revenue for the year reduced from the 2015/16 level with a significant decrease of \$2.5 million recorded.

In line with our price and growth projections, overall water and sewerage service charges decreased by 1.1 per cent from the previous year, delivering on the focus of affordable pricing for our customers. However, with a wetter year recorded in 2016/17, volumetric water sales decreased \$3.96 million (15.3 per cent) from the previous year to a total of \$21.90 million.

An increase in land development activity within the region resulted in gifted assets and developer fees producing a \$2.5 million positive variance to budget and \$1.5 million higher than 2015/16.



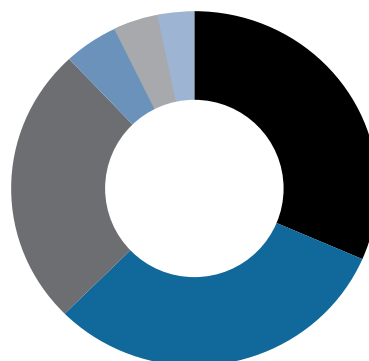
Sewerage service charge	36%
Volumetric water usage charges	29%
Fixed water service charges	14%
Trade waste charges	10%
Other income	5%
Gifted assets	5%
New customer / developer contributions	1%

OUR EXPENSES

Total expenses increased by \$2.53 million (3.7 per cent) compared to the previous year.

Employee benefits produced higher expenditure in 2016/17 compared to the prior year due to a number of new positions being filled across the organisation as well as Enterprise Bargaining Agreement increases. A significantly higher number of assets were disposed of during the year, which has resulted in a \$1.76 million (136 per cent) increase in expenditure.

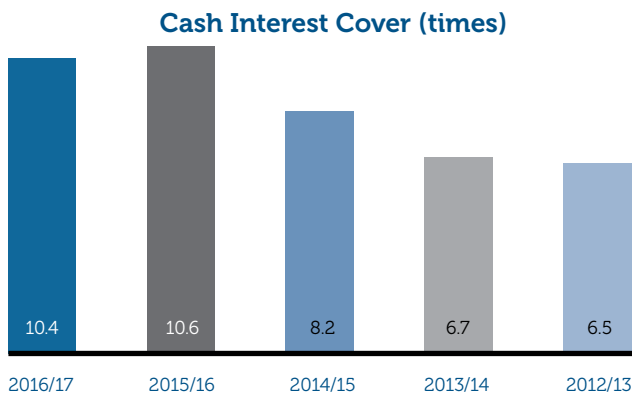
Borrowing costs (\$1.19 million) compared favourably to the prior year due predominantly to less-than-budgeted new borrowings required throughout the year combined with the full-year effect of the settlement of two externally funded loans in the previous year. Other operating expenditure, including depreciation, is in line with prior year results.



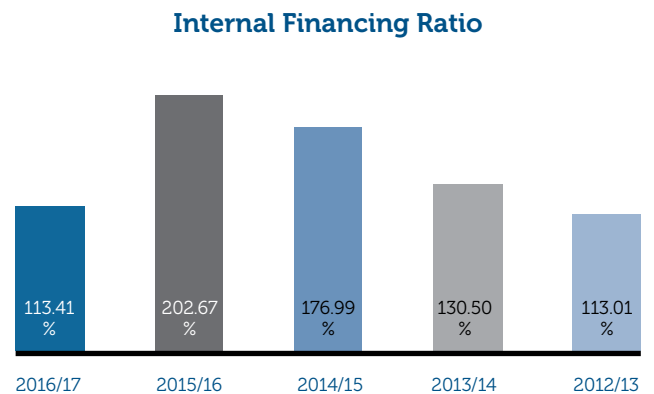
Depreciation and amortisation	31%
Supplies and services	31%
Employee benefits	26%
Borrowing costs	4%
Environmental contribution levy	4%
Net loss on disposal of assets	4%

BUSINESS EXCELLENCE

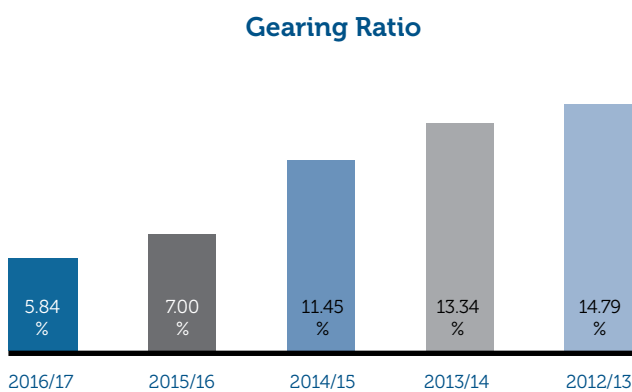
SUMMARY OF FINANCIAL PERFORMANCE INDICATORS



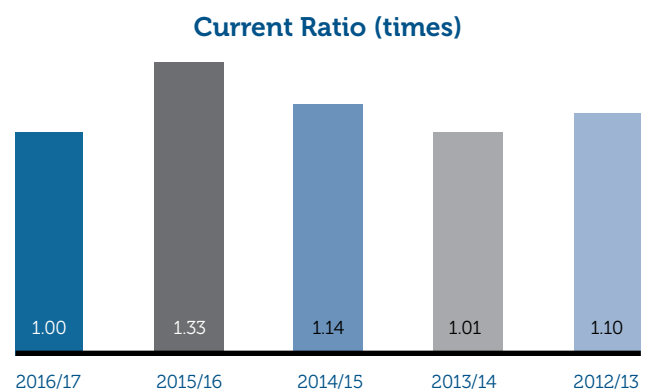
The result is in line with last year. The excellent results are due predominantly to a significant reduction in borrowing costs during the year. The ratio shows that cash received from operating activities is 10.4 times that of net interest costs paid.



The ratio measures the portion of capital works paid for from operating cash flows. The 2016/17 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 was the higher than anticipated opening cash balances from 30 June 2016.



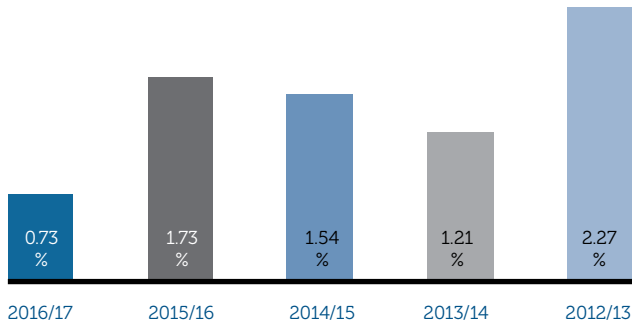
Interest bearing liabilities reduced by \$9.4 million during 2016/17 as a result of positive cash flows and cash balances throughout the year, resulting in an improved gearing ratio. A decline in the ratio total is a favourable result, as a low ratio provides a positive indication of Wannon Water's long-term liquidity.



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. Lower tariff receivables and a decrease in cash balances held at 30 June are the key drivers of the reduction from the previous year.

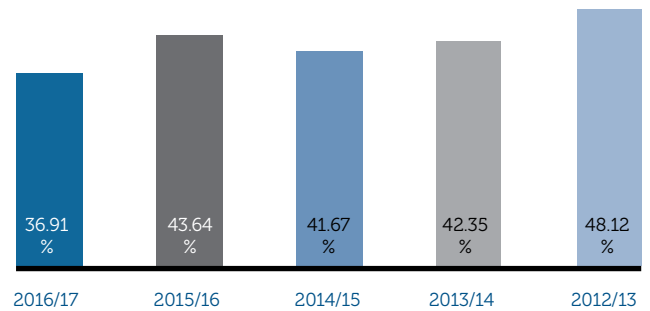
BUSINESS EXCELLENCE

Return on Assets



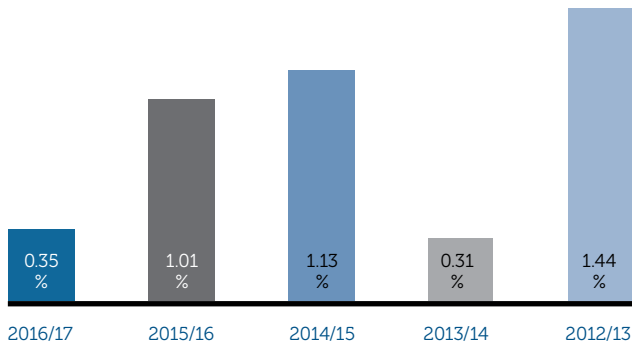
Indicates how much profit Wannon Water has generated from every dollar in assets owned. The ratio is low, as assets owned are significant in value and Wannon Water does not aim to generate large profits.

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 close to a third of 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

There were no significant changes in financial position during the 2016/17 reporting period.

BUSINESS EXCELLENCE

CAPITAL EXPENDITURE

Wannon Water completed \$21.77 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)	2016/17 expenditure (\$ million)	Future commitments (\$ million)
Regional sewer rehabilitations	2.35	2.06	0.29
Warrnambool, Harris Street, sewer duplication	2.11	1.73	0.38
Warrnambool Sewage Treatment Plant diffuser replacement	1.65	1.65	0.00
Portland, Wyatt Street, bore construction	2.88	1.00	0.00
Warrnambool Sewage Treatment Plant inlet pipework refurbishment	0.76	0.76	0.00
Regional water main replacements	1.08	0.59	0.49
Warrnambool Sewage Treatment Plant switchboard replacement	0.70	0.57	0.00
Water meter replacement program	0.55	0.52	0.03
Servicing 12 Apostles Visitor Centre	6.80	0.42	6.26
Camperdown, Walls Street, sewer upsizing	0.36	0.36	0.00
Warrnambool Sewage Treatment Plant belt filter press replacement	0.45	0.33	0.12
Hamilton basin one embankment upgrade	0.58	0.32	0.00
Mortlake water main replacements	0.28	0.28	0.00
Warrnambool Sewage Treatment Plant main switchboard upgrade	0.62	0.27	0.35

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.

FUTURE CHALLENGES

Wannon Water plans to undertake \$27.5 million of capital works in 2017/18, fully funded through cash flows from operating activities. However, new borrowings (\$8 million) will be required to fund the majority of maturing borrowings during 2017/18.

ATTESTATION FOR COMPLIANCE WITH STANDING DIRECTION 3.7.1

I, Jacinta Ermacora, certify that the Wannon Region Water Corporation has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes. The Audit & Risk Management Committee has verified this.



Jacinta Ermacora
Chair
Wannon Water
18 August 2017

VALUE FOR CUSTOMERS

CORPORATE OBJECTIVES:

- long-term customer value
- integrated solutions

WE ARE STRATEGIC AND RESPONSIVE, KEEPING OUR COMMUNITIES SAFE AND HEALTHY WHILE APPLYING SMART SOLUTIONS TO CONTINUALLY IMPROVE OUR WORLD-CLASS SERVICES TO MEET AND EXCEED CUSTOMER NEEDS AND EXPECTATIONS, DELIVER AFFORDABLE PRICES AND PROVIDE LONG-TERM VALUE FOR OUR REGION.

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 a third \$70 Government Efficiency Rebate to residential water customers in the first quarterly bills of the 2016/17 financial year.

Wannon Water is committed to shaping new initiatives to support those who are disadvantaged and vulnerable. We are one of 30 Australian "trailblazer" organisations who have signed up to develop a Financial Inclusion Action Plan (FIAP) under the leadership of Good Shepherd Microfinance on behalf of the Australian Government. Our aim is to create positive impacts for our customers, suppliers, employees and, by extension, our communities across south-west Victoria.

We continued to enhance our engagement with customers, introducing e-newsletters and social media pages to meet the growth in online technology and social networking. These avenues allow us to provide timely and inexpensive advice and updates to our customers and allow opportunities for interactive two-way communication and feedback.

SOCIAL SUSTAINABILITY - COMMUNITY SERVICE OBLIGATIONS

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

Community Service Obligations	2016/17 (\$)	2015/16 (\$)	2014/15 (\$)	2013/14 (\$)	2012/13 (\$)
Concession card rebates	3,207,310	3,115,967	2,958,770	2,899,696	2,641,712
Not-for-profit organisation rebates	254,145	259,618	259,898	257,705	260,501
Utility relief grant scheme	78,093	88,384	73,141	98,332	57,663
Water usage life machine rebates	1,024	1,185	1,520	660	298
Hardship relief grant scheme (Sewerage scheme connections)	0	0	0	0	0
Total	3,540,572	3,465,154	3,293,329	3,256,383	2,960,174

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 instalment payment plans to customers who prefer to pay by regular instalments;
- 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.

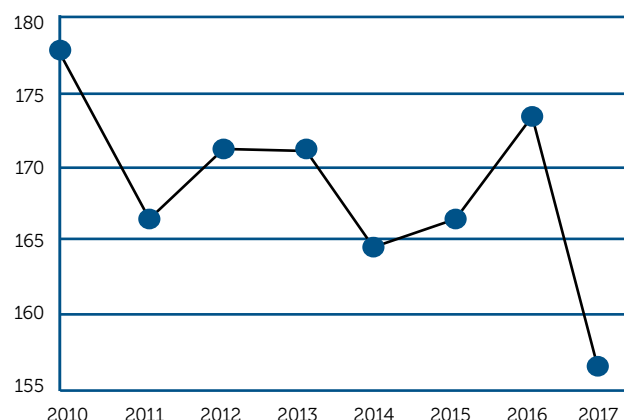
VALUE FOR CUSTOMERS

Customer assistance	Number of customers 2016/17	Total value 2016/17 (\$)	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 (\$)
High water usage allowances	266	131,840	276	110,377	275	131,202	196	100,747
Hardship rebates	208	42,523	256	61,728	308	70,146	372	113,874
Total	474	174,363	532	172,105	583	201,348	568	214,621

WATER CONSUMPTION

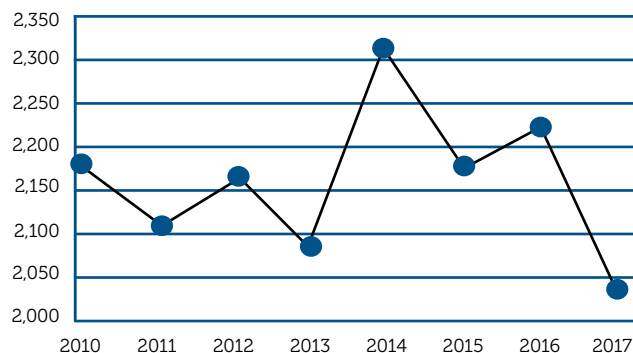
Total water consumption decreased by nine per cent to 10,737 megalitres in 2016/17 compared to 11,976 megalitres for 2015/16 as reported in July 2016.

RESIDENTIAL WATER USE (litres/person/day)



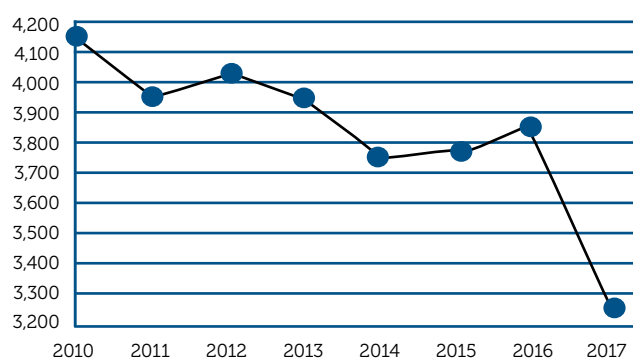
Residential water use per person per day was 160 litres. When climate-corrected, residential water use per person per day was 157 litres, down nine per cent compared to 173 litres in 2015/16.

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



Non-residential water use per connection (when climate corrected) fell eight per cent compared to the previous year.

RURAL WATER USE (litres/connection/day)



Rural water use per connection (when climate corrected) fell 15 per cent compared to the previous year.

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	320	48.8	38	61.2	9	18.8	367	128.8	121.9	179
Balmoral	107	12.1	28	5.4	17	8.8	152	26.3	31.2	133
Balmoral Pipeline*	-	-	-	-	3	7.1	3	7.1	6.2	-
Camperdown	1,617	225.5	218	130.1	-	-	1,835	355.6	364.2	164
Camperdown Rural	-	-	-	-	396	447.9	396	447.9	499.6	-
Caramut	56	7.0	13	6.4	7	2.4	76	15.8	16.7	146
Caramut Pipeline*	-	-	-	0.0	12	2.5	12	2.5	3.5	-
Casterton	820	89.9	147	49.9	23	6.2	990	146.0	163.9	129
Cavendish	70	6.9	21	1.6	4	1.0	95	9.5	11.6	115
Cobden Rural	-	-	-	-	18	23.8	18	23.8	24.7	-
Cobden Urban	712	99.9	104	583.3	86	67.3	902	750.4	616.7	165
Coleraine	517	46.7	83	24.5	15	5.0	615	76.2	83.6	106
Coleraine Pipeline*	-	-	-	-	4	1.5	4	1.5	0.8	-
Darlington*	19	2.0	3	0.5	-	-	22	2.5	3.5	123
Dartmoor	124	11.6	18	3.0	-	-	142	14.6	14.6	110
Dunkeld	310	47.9	49	20.3	29	9.8	388	78.0	80.3	182
Glenthompson	99	8.4	24	0.9	8	1.7	131	11.0	10.5	99
Hamilton	4,739	672.4	629	214.0	42	36.3	5,410	922.7	982.2	167
Hamilton Pipeline*	-	-	-	-	36	16.9	36	16.9	17.9	-
Heywood	648	85.1	105	27.1	9	1.8	762	114.1	124.3	155
Konongwootong Pipeline*	-	-	-	-	64	30.5	64	30.5	43.9	-
Koroit	735	96.9	55	134.3	3	2.1	793	233.3	223.1	155
Lismore & Derrinalum	347	37.8	75	11.0	77	41.1	499	89.9	105.5	128
Macarthur	134	12.7	36	2.9	2	0.7	172	16.3	18.7	112
Merino	129	14.4	18	3.1	36	12.0	183	29.4	34.3	131
Mortlake	576	74.0	104	42.7	5	7.6	685	124.4	136.2	151
Noorat & Glenormiston	161	24.8	18	12.6	78	49.3	257	86.7	119.7	181
North Otway Pipeline*	-	-	-	-	454	1,200.1	454	1,200.1	1,318.6	-
Penshurst	269	34.0	52	13.7	1	0.0	322	47.7	54.6	148
Peterborough	330	21.5	15	9.8	9	4.9	354	36.3	40.9	77
Port Campbell	258	30.2	39	39.0	-	-	297	69.2	68.5	138
Port Fairy	2,119	250.2	230	295.3	2	0.1	2,351	545.6	584.8	139
Portland	5,097	679.2	698	581.4	6	1.6	5,801	1,262.2	1,417.8	157
Purnim	-	-	-	-	95	20.0	95	20.0	19.5	-
Sandford	59	10.1	4	0.2	28	9.4	91	19.7	21.4	201
Simpson	78	10.9	19	20.5	10	9.7	107	41.1	70.8	164
Tarrington	142	21.7	5	3.0	16	4.7	163	29.4	29.4	180
Terang	939	128.6	145	45.3	1	6.1	1,085	180.1	199.8	161
Timboon	418	58.3	81	31.5	105	60.9	604	150.7	172.4	164
Tullich Pipeline*	-	-	-	-	7	2.1	7	2.1	1.6	-
Warrnambool	14,404	2,073.3	1,568	1,259.2	24	24.0	15,996	3,356.4	3,539.4	169
Willaura Pipeline*	-	-	-	-	30	15.0	30	15.0	19.0	-
Totals	36,353	4,943	4,642	3,634	1,771	2,161	42,766	10,737	11,418	160

* 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	36,334	4,941	4,639	3,633	1,161	885	42,134	9,459	10,003
Non-Drinking Water	19	2	3	1	610	1,276	632	1,278	1,415
Totals	36,353	4,943	4,642	3,634	1,771	2,161	42,766	10,737	11,418

WATER CONSUMPTION BY SYSTEM (MEGALITRES)

System	2016/17 volume (ML)	Change (%)	2015/16 volume (ML)	Change (%)	2014/15 volume (ML)	Change (%)	2013/14 volume (ML)	Change (%)	2012/13 volume (ML)	Change (%)
East Dilwyn	256	-20%	320	13%	283	3%	274	0%	275	3%
Grampians	1,116	-10%	1,238	7%	1,163	2%	1,141	-11%	1,285	10%
Other	115	-24%	152	13%	134	-5%	141	-13%	162	20%
Otway	7,038	-9%	7,739	5%	7,369	1%	7,282	-1%	7,370	0%
Tullich	275	-20%	345	16%	298	3%	289	-10%	322	0%
West Dilwyn	1,937	-11%	2,182	2%	2,149	-4%	2,233	1%	2,206	2%
Totals	10,737	-10%	11,976	5%	11,397	0%	11,360	-2%	11,620	2%

NON-REVENUE WATER

	2016/17 (ML)	2015/16 (ML)
Leakage	1,529	1,352
Fire fighting	8	8
Other (including flushing)	47	51
TOTAL	1,584	1,411

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	121	3,530.0	165	1.4	47
15 Townsend St, Portland	6	278.4	77	12.8	277
66 Gray St, Hamilton	6	614.7	110	18.3	179
Total	133	4,423.1	352	2.6	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 – per year	No. customers 2016/17	No. customers 2015/16	No. customers 2014/15	No. customers 2013/14	No. customers 2012/13
100ML to 200ML	2	2	0	1	0
200ML to 300ML	2	1	3	2	3
300ML to 400ML	1	1	1	1	1
400ML to 500ML	0	2	1	2	1
500ML to 750 ML	1	0	0	0	0
750ML to 1,000ML	1	1	1	1	1
Greater than 1,000ML	0	0	0	0	0
Total no. of customers	7	7	6	7	6

Major customer's participation in water conservation programs

All major customers of Wannon Water have water conservation programs.

Major customer	Location of customer	Information as to customer's participation in water conservation program
Warrnambool Cheese and Butter Factory Company Holdings Ltd Fonterra Australia Pty Ltd Fonterra Australia Pty Ltd Alcoa Portland Aluminium Pty Ltd Midfield Meat International Pty Ltd Sun Pharmaceutical Industries (Australia) Pty Ltd Murray Goulburn Co-operative Company Ltd	Allansford Cobden Warrnambool Portland Warrnambool Port Fairy Koroit	Wannon Water does not keep records of customer's participation or otherwise in water conservation programs.

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 0.9 per cent in 2016/17 with 382 new customers being provided with a reticulated water service.

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 1.0 per cent in 2016/17, with 398 new customers being provided a reticulated sewerage service.

ORGANISATIONAL CAPABILITY

CORPORATE OBJECTIVES:

- invest in employees
- inclusive culture and diversity

A PROFESSIONAL, PROGRESSIVE AND COMMITTED LOCAL EMPLOYER OF CHOICE, OUR EMPLOYEES HAVE THE EXPERIENCE, KNOWLEDGE, SKILLS AND LEADERSHIP QUALITIES NEEDED TO MAINTAIN BEST-PRACTICE OPERATIONS, DELIVER RELIABLE, HIGH QUALITY SERVICES, AND INSTIL CONFIDENCE WITHIN OUR COMMUNITIES.

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 are continually reviewed and assessed against best practice to 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 increased by 17 in the reporting period. This was primarily due to a larger than usual number of vacant positions at 30 June 2016, a higher than usual number of employees on maternity leave, inclusion of vacation students and some new positions to help drive *Water for Victoria* theme outcomes and our expanded commitment to better engage, inform and partner with our customers, communities and stakeholder groups as well as to improve efficiency.

	2016/17	2015/16
Full-time male	137	133
Full-time female	43	39
Part-time male	3	2
Part-time female	17	16
Casual male	4	2
Casual female	1	0
Fixed term male	4	5
Fixed term female	7	1
Total employees	216	198
Full-time equivalent	205	188
% Full-time equivalent female	30	26

Notes:

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

Employee classification	2016/17 FTE	2015/16 FTE
Executive	7	7
Manager	27	23
Professional	23	18
Technical	25	27
Production & maintenance	78	76
Administrative	45	37
Total	205	188

Notes:

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

LEARNING AND DEVELOPMENT

Wannon Water recognises that the professionalism, capability and effectiveness of its workforce is linked to its success and as such is committed to:

- Providing a supportive learning environment;
- Job satisfaction and motivation;
- Improving workplace productivity; and
- Rewarding and recognising good employee performance.

During the reporting period we provided 9,340 hours (46 hours per employee) of learning and development to our employees.

Wannon Water recognises that access to quality education options and training for people in our region, including high levels of educational attainment, is essential to delivering a skilled workforce and boosting regional prosperity.

ORGANISATIONAL CAPABILITY

Wannon Water is committed to providing employment opportunities for local students who want to develop their skills and pave a solid career in south-west Victoria.

Wannon Water has four participants studying as part of an Engineering Scholarship Program where we offer support a local Year 12 student through a four-year degree in Civil Engineering at a Victorian university. The scholarship consists of \$5,000 annually towards the cost of tertiary fees and study needs, paid work experience at the end of second and third years and guaranteed post-graduate employment.

We have also partnered with Westvic Staffing Solutions to offer a 12-month Traineeship Program, allowing trainees to work in various Wannon Water departments and sites across the region. Six trainees took part in the program in 2016 and seven trainees are employed in 2017 as part of a unique and supportive employment opportunity.

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. Wannon Water's Inclusion and Diversity Policy establishes principles to guide our actions and behaviours to achieve this commitment.

We are passionate about embedding a culture where we understand that each person is different and that collective diversity can positively influence organisational capability. Research shows that a more inclusive and diverse workforce will improve decision making, 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 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 has developed an Inclusion and Diversity Management Plan to guide us in a systematic approach to implementing the policy over the next few years as targets are set. This will ensure our inclusion and diversity objectives result in sustainable and tangible positive outcomes for both our employees and the community. Specific work plans are being developed in areas where an aspect of diversity requires more concentrated effort and actions.

One of these is a Gender Diversity Plan that will involve us collectively adjusting our culture, values, behaviours and capabilities over time so that we create an environment where gender equality is considered a business and cultural norm and maintaining gender equality is everyone's responsibility. An initiative within this plan is to develop regionally considered workforce percentage targets to assist the Victorian water industry achieve its 2020 targets.

We will measure our performance in achieving inclusion and diversity outcomes through organisational indicators and benchmarking results from the annual Victorian Public Sector Commission People Matter Survey.

OCCUPATIONAL HEALTH & SAFETY (OH&S)

Wannon Water has a strong commitment to the health and safety of all employees and contractors involved in our 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 2017.

The strength of the OH&S 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. During the reporting period, Wannon Water provided opportunities for employees to participate in free sessions including health checks, skin checks and influenza immunisations.

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.



ORGANISATIONAL CAPABILITY

OH&S TRAINING

Wannon Water continued to invest in OH&S training in 2016/17, including:

- confined space entry;
- CPR;
- asbestos handling;
- trenching & shoring;
- forklift;
- driver education;
- spotters;
- height safety;
- breathing apparatus;
- safe use of chainsaw; and
- construction induction.

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.

OH&S Indicators	2016/17	2015/16	2014/15	2013/14	2012/13
Lost Time Injuries (Number)	4	3	7	3	2
Lost Time Injury Frequency Rate (LTIFR - LTI occurrences per one million hours worked)	11.60	9.08	20.6	8.5	6
Lost Time Injury Severity Rate (Days)	0.36	8.3	3	16	17

Incidents	2016/17	2015/16	2014/15
No. of Incidents	42	32	39
Rate per 100 FTE	20.39	16.16	20.63

Claims	2016/17	2015/16	2014/15
Number of Lost Time Standard Claims	1	1	3
Number of Lost Time Standard Claims per 100 FTE	0.49	0.53	0.69
Average cost per claim	\$8,240	\$2,119	\$2,919

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: 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 (left) 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 2016/17, 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 \$28.40 (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.

Other Information

The following information is available (in full) 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;

CORPORATE INFORMATION

- 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 at www.wannonwater.com.au.

Building Act

Wannon Water complied with the building and maintenance provisions of the *Building Act 1993* and mechanisms are in place to ensure all buildings comply with standards.

An annual maintenance program utilising the Building Commission's Essential Safety Measure Maintenance Manual guides the reporting and scheduling of maintenance works on all Wannon Water buildings and facilities. Annual maintenance reports are used to record inspections and repairs in areas including signage, lighting, emergency exits, fire services, lifts, fire detection and occupancy warning systems.

Local Jobs First - Victorian Industry Participation Policy

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

Local Jobs First – VIPP aims to foster industry development, by encouraging Victorian government departments and public bodies to genuinely consider Victorian, Australian and New Zealand supply.

Contracts commenced during 2016/17

Wannon Water commenced three contracts in 2016/17 totaling \$6.08 million where VIPP Plans were required. All three projects are in regional Victoria.

The outcomes expected from the implementation of the VIPP to these projects, as assessed by Industry Capability Network, include:

- an average of 77 per cent of the total value of the contracts; and
- on average, the retention of 23 full-time equivalent jobs, and two apprentices.

Contracts completed during 2016/17

Of three contracts commenced, only one was completed in 2016/17 to which the VIPP applied.

The outcomes were:

- Local content (ANZ value-added) of 68%; and
- Retention of six employees, two apprentices and two trainees.

The outcomes from the two ongoing contracts will be included in future reporting periods on completion of the contracts.

During the reporting period five 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

Government advertising expenditure

Wannon Water did not produce any advertising campaigns valued at \$100,000 or more during the year.

National Competition Policy

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

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

Wannon Water continues to comply with the requirements of the NCP.

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required

to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair completion between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

Major contracts

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

Consultancy expenditure

Consultants costing less than \$10,000

Wannon Water engaged three consultancies in 2016/17 where the total fees payable to the consultants were less than \$10,000. Total expenditure on these consultants was \$16,760 (excluding GST).

Consultants costing more than \$10,000

Six major consultancies were engaged in 2016/17 with a total value of \$254,760.

Consultant	Purpose of consultancy	Total project fee (exc. GST) \$'000	Expenditure 2016/17 (exc. GST) \$'000	Future expenditure (exc. GST) \$'000
GHD Pty Ltd	Dam Safety Management	716	132	0
Capire Consulting Group	Building our Community Engagement Capacity	45	36	9
Francoor Pty Ltd	Cathodic Protection	32	32	0
Values Communication	Contemporary Customer Service	32	32	0
Earth Sciences Services	Earthquake monitoring and alarm consultancy	13	13	0
Strategic AM Pty Ltd	Independent review of Asset Renewal business case	11	11	0

Information and Communication Technology (ICT) expenditure

For the 2016/17 reporting period, Wannon Water had a total ICT expenditure of \$3,891,520, with the details shown below.

(\$'000)

Business As Usual (BAU)	Non-business as usual (Non-BAU) ICT expenditure		
ICT expenditure (Total) \$'000	Operational expenditure OPEX \$'000	Capital expenditure CAPEX \$'000	OPEX + CAPEX TOTAL \$'000
2,780	1,112	0	1,112

- "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	2015/16 Result	2016/17 Result	2016/17 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	10.6 times	10.4 times	9.8 times	-1.9%		6.1%	
F2	Gearing ratio Total debt / total assets x 100	7.0%	5.8%	7.3%	-17.1%	1a	-20.5%	1b
F3	Internal financing ratio Net operating cash flow less dividends / net capital expenditure x 100	202.7%	113.4%	107.8%	-44.1%	2a	5.2%	
F4	Current ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.3 times	1.0 times	1.3 times	-23.1%	3a	-23.1%	2b
F5	Return on assets Earnings before net interest and tax / average assets x 100	1.7%	0.7%	0.6%	-58.8%	4a	16.7%	3b
F6	Return on equity Net profit after tax / average total equity x 100	1.0%	0.4%	0.2%	-60.0%	4a	100.0%	3b
F7	EBITDA margin Earnings before interest, tax, depreciation and amortisation / total revenue x 100	43.6%	36.9%	37.6%	-15.4%	4a	-1.9%	

Notes:

- 1a/ 1b 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 (\$7.3 million) and the prior year (\$9.4 million), is due to a reduction in payments for capital works in 2015/16 resulting in a high carrying cash balance at the beginning of the year. The upward revaluation of assets as at 30 June 2016 of \$192 million has also contributed to the favourable result to target with a higher than anticipated increase.
- 2a The internal financing ratio is unfavourable to the prior year result. The prior year result was extraordinarily high due to high cash flows from operations and low capital expenditure. Capital expenditure in the current year increased by \$4 million, whilst cash flows from operations decreased by \$11 million. The ratio result was better than target and still well above the benchmark 100%. Wannon Water will continue to manage its cash flows to ensure ongoing financial sustainability.
- 3a/ 2b The current ratio is unfavourable due predominantly to a \$6 million lower cash balance held at 30 June 2017 compared to target and the prior year. The cash balance was used to reduce debt during the year. Wannon Water will continue to proactively manage its cash flows to ensure ongoing financial sustainability.
- 3b The return on assets ratio and the return on equity ratio are favourable compared to target. This was driven by higher revenue from contributions and lower operating expenditure compared to budget.
- 4a The ratios are unfavourable to the prior year due to the reduced profit compared to the 2015/16 year. A decrease in revenue, mainly water usage charges, occurred in the current year. This is largely attributable to seasonal factors impacting customer water consumption and a reduction in water usage tariffs. Seasonal factors are largely outside of the corporation's control. These can significantly influence customer water consumption and therefore Wannon Water's profit. Wannon Water will continue to monitor customer water consumption and proactively manage its operational expenditure. This approach ensures that uncontrollable seasonal factors will not adversely impact returns.

PERFORMANCE REPORT

WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2015/16 Result	2016/17 Result	2016/17 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	104.0 Minutes	93.5 Minutes	80.0 Minutes	-10.1%	5a	16.9%	4b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions, restored within 5 hours / total unplanned water supply interruptions x 100	95.0%	95.5%	98.0%	0.5%		-2.6%	
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	94.0%	99.2%	99.0%	5.5%	6a	0.2%	
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions, restored within 5 hours	97.0%	100.0%	99.0%	3.1%		1.0%	

Notes:

- 4b The unfavourable variance compared to target is attributable to nine significant events during 2016/17. Eight of these required longer than usual repair times (greater than 4 hours) and one event affected a large number of properties (87) with a repair time of 158 minutes. The proactive maintenance program continues to be a focus to reduce interruption times, in conjunction with the operation of Wannon Water's maintenance scheduling and dispatch team.
- 5a With a similar number of cases reported in 2016/17 (134) compared to the 2015/16 year (133), the favourable variance compared to the prior year is due predominantly to a reduction in the average time to rectify an interruption. There were less properties interrupted during the 2016/17 year (2,072) compared to the 2015/16 year (2,183) which also attributed to the favourable result compared to the prior year. The proactive maintenance program continues to be a focus to reduce interruption times, in conjunction with the operation of Wannon Water's maintenance scheduling and dispatch team.
- 6a In 2016/17 all sewer spill interruptions were restored within five hours, compared to six cases in 2015/16 that were not, resulting in the favourable variance. This is due to the ongoing management and prioritisation of interruptions within Wannon Water's maintenance team.

PERFORMANCE REPORT

CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2015/16 Result	2016/17 Result	2016/17 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water Quality Complaints No. of complaints per 100 customers	0.33	0.36	0.38	9.1%	7a	-5.3%	5b
CR2	Sewerage service quality complaints No. of complaints per 100 customers	0.02	0.02	0.02	0.0%		0.0%	
CR3	Sewage odour complaints No. of complaints per 100 customers	0.03	0.03	0.02	0.0%		50.0%	6b
CR4	Billing complaints No. of complaints per 100 customers	0.14	0.13	0.17	-7.1%	8a	-23.5%	7b

Notes:

5b The favourable variance to target is attributable to a small (nine) reduction in customer water quality complaints for the year compared to target.

6b The number of sewage odour complaints is an unfavourable variance compared to target, due to an increase in complaints above the long term average. There were eleven complaints in total for 2016/17 from various districts of Wannon Water's region and regarding various sewer odour related issues. Wannon Water continues to be proactive regarding odour complaints, including installation of sensors and filters and our manhole replacement program.

7a The number of water quality complaints is an unfavorable variance compared to last year due to a minor (twelve) increase in complaints from the prior year. Wannon Water will continue with air scouring /mains cleaning program and to invest significantly in water mains replacements. These along with other water quality improvement initiatives will improve water quality for customers and reduce complaints.

8a/7b 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	2015/16 Result	2016/17 Result	2016/17 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent re-use volume (end use)	19.3%	14.7%	20.0%	-23.8%	9a	-26.5%	8b
E2	Total net CO2 emissions Net tonnes CO2 equivalent	32,970	28,880	30,899	-12.4%	10a	-6.5%	9b

Notes:

8b The unfavourable variance for 2016/ 17 compared to target can be attributed to a decrease in recycled water used by urban and industrial customers and by Wannon Water within its own processes during the year. Also contributing to the unfavourable result and therefore variance, was the 15% increase in volume available for reuse compared to target. The increased volume available for reuse in 2016/ 17 was due to wet weather conditions early in the financial year. Weather conditions aside, Wannon Water will continue to ensure that the amount of water re-used is as much as practicably possible.

9a The unfavourable variance compared to the prior year, can be attributed to a decrease in recycled water used by urban and industrial customers and an increase in the volume available for reuse in the year. While the total volume reused by all customers decreased by 4% in 2016/17, the volume available for reuse increased by 25%, therefore resulting in overall decrease in the percentage reused. The increased volume available for reuse in 2016/ 17 was due to wet weather conditions early in the financial year. Weather conditions aside, Wannon Water will continue to ensure that the amount of water re-used is as much as practicably possible.

9b/ 10a The favourable variance compared to the prior year and to target, is largely attributed to a higher rainfall period which reduced water demand in our service region, and therefore energy consumption at pumping stations.

CERTIFICATION

CERTIFICATION OF PERFORMANCE REPORT FOR 2016/17

We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2016/17 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 2016/17 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



A R Jeffers
Managing Director



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

Dated this 31st day of August 2017

AUDITOR-GENERAL'S REPORT



Independent Auditor's Report

To the Board of the Wannon Region Water Corporation

Opinion

I have audited the accompanying performance report for the year ended 30 June 2017 of the Wannon Region Water Corporation (the corporation) which comprises the:

- financial performance indicators
- water and sewerage service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- certification of performance report for 2016/17.

In my opinion, the performance report of the corporation in respect of the year ended 30 June 2017 presents fairly, in all material respects, in accordance with the performance reporting requirements of the *Financial Management Act 1994*.

Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. My responsibilities under the Act are further described in the *Auditor's responsibilities for the audit of the performance report* section of my report.

My independence is established by the *Constitution Act 1975*. I and my staff are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance report in Australia and have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Board's responsibilities for the performance report

The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994* and for such internal control as the Board determines 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-GENERAL'S REPORT

**Auditor's
responsibilities for the
audit of the
performance report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance statement.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represents the underlying events and results in a manner that achieves fair presentation.

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

MELBOURNE
1 September 2017



Roberta Skliros
as delegate for the Auditor-General of Victoria

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COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Revenue	2.1		
Service charges	2.2.1	36,980	37,392
Usage charges	2.2.1	29,148	33,092
Other income	2.2.5	3,079	3,191
Assets received free of charge or for nominal consideration	2.2.4	3,490	2,397
Developer and customer contributions	2.2.4	1,049	620
Interest Income	2.2.3	215	232
Government grants and contributions	2.2.2	551	82
Total Revenue		74,512	77,006
Expenses			
Repairs & Maintenance	3.3	(13,530)	(12,492)
Supplies and services	3.4	(8,481)	(8,851)
Depreciation	4.1.1	(21,229)	(20,803)
Employee benefits	3.2.1	(18,605)	(17,568)
Finance costs	6.1.2	(3,212)	(4,400)
Environmental contribution	8.2	(2,557)	(2,557)
Net gain / (loss) on disposal of non-current assets	4.1.4	(3,050)	(1,288)
Amortisation	4.2	(730)	(902)
Total Expenses		(71,394)	(68,861)
Net result before tax		3,118	8,145
Income tax (expense) / revenue	8.1.1	(971)	(2,643)
Net result for the period		2,147	5,502
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Gain on revaluation of property plant and equipment		-	192,318
Income tax relating to gain on revaluation of property, plant and equipment	9.1.3	-	(57,695)
Net gain on revaluation of property, plant and equipment	9.1.2	-	134,623
Comprehensive result		2,147	140,125

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

BALANCE SHEET

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.2	818	6,875
Receivables	5.1	15,455	14,971
Inventories	5.3	607	641
Prepayments	5.4	1,042	969
Total current assets		17,922	23,456
Non-current assets			
Receivables	5.1	10,003	9,903
Property, plant and equipment	4.1.3	735,526	736,783
Intangible assets	4.2	6,267	6,222
Total non-current assets		751,796	752,908
TOTAL ASSETS		769,718	776,364
LIABILITIES			
Current liabilities			
Payables	5.2	5,547	6,136
Interest bearing liabilities	6.1	10,712	10,052
Employee benefits	3.2.2	3,790	3,625
Total current liabilities		20,049	19,813
Non-current liabilities			
Interest bearing liabilities	6.1	34,221	44,276
Employee benefits	3.2.2	655	600
Net deferred tax liabilities	8.1.2	99,867	98,896
Total non-current liabilities		134,743	143,772
TOTAL LIABILITIES		154,792	163,585
NET ASSETS		614,926	612,779
Equity			
Contributed capital	9.1.1	441,165	441,165
Reserves	9.1.2	150,260	151,030
Accumulated surplus/ (deficit)	9.1.3	23,501	20,584
TOTAL EQUITY		614,926	612,779
Commitments for expenditure	4.1.5, 6.3, 8.2.1		
Contingent Assets and Liabilities	7.2		

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	Contributed Capital \$'000	Reserves \$'000	Accumulated Surplus / (Deficit) \$'000	Total \$'000
Balance at 1 July 2015		441,165	16,224	15,265	472,654
Total comprehensive income for the year		-	134,623	5,502	140,125
Transfer from accumulated funds on disposal		-	183	(183)	-
Balance at 30 June 2016	9.1	441,165	151,030	20,584	612,779
Total comprehensive income for the year		-	-	2,147	2,147
Transfer from accumulated funds on disposal		-	(770)	770	-
Balance at 30 June 2017	9.1	441,165	150,260	23,501	614,926

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges		68,463	74,636
GST received from the ATO		3,515	3,346
Government contributions received		597	90
Capital charges received		1,562	4,359
		74,137	82,431
Payments			
Payments to suppliers and employees		(44,214)	(40,495)
GST paid to the ATO		(184)	(143)
Interest and other costs of finance paid		(3,239)	(4,435)
Environmental contributions		(2,557)	(2,557)
		(50,194)	(47,630)
Net cash inflow from operating activities	6.2.1	23,943	34,801
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment and intangible assets		(21,112)	(17,170)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.4	507	483
Net cash (outflow) from investing activities		(20,605)	(16,687)
Cash flows from financing activities			
Repayment of borrowings		(9,395)	(12,888)
Net cash (outflow) from financing activities		(9,395)	(12,888)
Net increase (decrease) in cash and cash equivalents		(6,057)	5,226
Cash and cash equivalents at start of the financial year		6,875	1,649
Cash and cash equivalents at the end of the financial year	6.2	818	6,875
Financing arrangements	6		

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

1. ABOUT THIS REPORT

Basis of Accounting

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 2017. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), 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 AASs 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 18 August 2017.

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 3.2.2 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 2017

Accounting estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are made in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Standards that have significant effects on the financial statements and estimates related to:

- the fair value of land, buildings, infrastructure and plant & equipment (Note 7.3);
- the estimation of useful lives for assets (Note 4.1);
- the impairment of assets (Note 4.1);
- the estimation of accrued tariffs and charges calculation (Note 5.1);
- the calculation of provision for impaired receivables (Note 5.1);
- the calculation of deferred tax assets and deferred tax liabilities (Note 8.1);
- actuarial assumptions used to determine the Corporation's superannuation defined benefit liability and employee benefit provisions (Note 3.2)

Presentation of Financial Statements

As a result of adopting a Streamlined Financial Reporting Framework, there is significant changes to the presentation of the 2016/17 financial statements compared to prior years. This has resulted in notes to the financial statements being reordered into 9 key areas that contain related information that will make it easier to navigate for end users.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

This section provides additional information about how the Corporation is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. Wannon Water's corporate intent is to provide secure, safe and affordable water and sewerage services that are highly valued by our customers. To assist the corporation to achieve this outcome we receive income predominantly from residential, non residential and major customers for water and sewer service and usage charges. Developer contributions are also a key source of income for the corporation.

Structure

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Income from transactions
 - 2.2.1 Service and usage charges
 - 2.2.2 Government grants and contributions
 - 2.2.3 Interest income
 - 2.2.4 Developer contributions
 - 2.2.5 Other income

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

2.1 SUMMARY OF INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES

	Note	2017 \$'000	2016 \$'000
Service Charges	2.2.1	36,980	37,392
Usage Charges	2.2.1	29,148	33,092
Government Grants and contributions	2.2.2	551	82
Interest Income	2.2.3	215	232
Developer contributions	2.2.4		
- Fees paid by developers		1,049	620
- Assets received from developers		3,490	2,397
Other Income	2.2.5	3,079	3,191
Total Revenue		74,512	77,006

Income is recognised to the extent it is probable the economic benefits will flow to the Corporation and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

2.2 INCOME FROM TRANSACTIONS

2.2.1 SERVICE AND USAGE CHARGES

Service charges		
Sewer	27,028	27,240
Water	9,952	10,152
Total service charges	36,980	37,392
Usage charges		
Water	21,898	25,858
Trade waste	7,250	7,234
Total usage charges	29,148	33,092

Water and sewer 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 the trade waste agreements. The meters are read on a cyclical 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 each 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

2.2.2 GOVERNMENT GRANTS & CONTRIBUTIONS

	2017 \$'000	2016 \$'000
Government contributions	551	82
Total government grants and contributions	551	82

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.

2.2.3 INTEREST INCOME

Income from investments	113	115
Other	84	94
Interest on bank deposits	18	23
Total interest income	215	232

Interest income is recognised using the effective interest rate method, in the period in which it is incurred.

2.2.4 DEVELOPER CONTRIBUTIONS

Fees paid by developers and customers	1,049	620
Assets received free of charge from developers	3,490	2,397
Total developer and customer contributions	4,539	3,018

Water infrastructure assets built by developers in new land subdivisions that on completion are provided to the Corporation 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.

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

2.2.5 OTHER INCOME

Other income		
Cost recoveries	1,361	1,285
Miscellaneous	571	722
Rental	297	304
Information statements	221	219
Connection and inspection fees	248	242
Recycled water sales	381	419
Total other income	3,079	3,191

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

3. THE COST OF DELIVERING SERVICES

Introduction

This section provides additional information about how the Corporation's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Structure

- 3.1 Summary of expenses incurred in delivery of services
- 3.2 Our people
 - 3.2.1 Employee benefits – comprehensive operating statement
 - 3.2.2 Employee benefits - balance sheet
 - 3.2.3 Superannuation
- 3.3 Repairs and maintenance
- 3.4 Other operating expenses

3.1 SUMMARY OF EXPENSES INCURRED IN DELIVERY OF SERVICES

	Note	2017 \$'000	2016 \$'000
Employee benefit expenses	3.2.1	(18,605)	(17,568)
Repairs & maintenance	3.3	(13,530)	(12,492)
Other operating expenses	3.4	(8,481)	(8,851)
Total expenses incurred in delivery of services		(40,616)	(38,911)

3.2 OUR PEOPLE

3.2.1 EMPLOYEE BENEFITS - COMPREHENSIVE OPERATING STATEMENT

	Note		
Employee Benefits			
- salaries and wages		(15,410)	(14,390)
- annual leave		(1,273)	(1,185)
- long service leave		(389)	(555)
- employer superannuation contributions		(1,389)	(1,281)
- defined benefit superannuation expense		(144)	(157)
Total employee benefit costs		(18,605)	(17,568)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

3.2.2 EMPLOYEE BENEFITS - BALANCE SHEET

Provision is made for benefits accruing to employees in respect of annual leave, long service leave and other leave for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2017 \$'000	2016 \$'000
Current provisions:		
<i>Annual Leave</i>		
Annual leave - unconditional and expected to settle within 12 months	1,075	973
<i>Long Service Leave</i>		
Long service leave - unconditional and expected to settle within 12 months - measured at nominal value	407	388
Long service leave - unconditional and expected to settle after 12 months - measured at present value	1,844	1,821
<i>On-Costs</i>		
Unconditional and expected to settle within 12 months - measured at nominal value	71	67
Unconditional and expected to settle after 12 months - measured at present value	320	316
<i>Other Leave</i>		
Other leave - unconditional and expected to settle within 12 months	73	60
Total current provision for employee benefits	3,790	3,625
Non-current provisions:		
Long service leave - conditional - measured at present value	558	511
Long service leave on costs - conditional - measured at present value	97	89
Total non-current provisions for employee benefits	655	600
Aggregate carrying amount of employee benefits		
Current	3,790	3,625
Non-current	655	600
Total provision for employee benefits	4,445	4,225

Wages, 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

On-costs

On costs, such as payroll tax and workers' compensation insurance, are recognised as liabilities when the employment to which they relate has occurred. They are not employee benefits and are to be disclosed separately from provisions for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

Long service leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed 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.

3.2.3 SUPERANNUATION

Wannon Water makes the majority 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. In certain circumstances a defined benefit member may be eligible to purchase a lifetime pension with up to 50% of their lump sum benefit. The 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 2017, 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.

Defined benefit plan

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 pooled 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.

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.

Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Wannon Water is a contributing employer was 102%.

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 2017 was 106.6%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2016 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.

EMPLOYER CONTRIBUTIONS

Regular contributions

On the basis of the results of the 2016 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 2017, this rate was 9.5% of members' salaries (9.5% in 2015/16). This rate will increase in line with any increase to the SG contribution rate.

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.

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.

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.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

The 2016 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the Defined Benefit category of which Wannon Water is a contributing employer:

- A VBI surplus of \$40.3 million; and
- A total service liability surplus of \$156 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 2016.

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 2016 VBI during August 2016.

The 2017 full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

Accrued benefits

The Fund's liability for accrued benefits was determined in the 2016 interim actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS25 - Financial Reporting by Superannuation Funds follows:

	30-Jun-16 (Interim) \$million	30-Jun-15 (Interim) \$million
Net Market Value of Assets	2,275.9	2,379.2
Accrued Benefits (per accounting standards)	2,079.9	2,083.1
Difference between Assets and Accrued Benefits	196.0	296.1
Vested Benefits (Minimum sum which must be paid to members when they leave the Fund)	2,235.6	2,248.4

Superannuation contributions

Contributions by Wannon Water (excluding any unfunded liability payments) to superannuation funds for the financial year ended 30 June 2017 are detailed below:

Fund	Type of Scheme	Rate	2017 \$'000	2016 \$'000
State Superannuation Fund	Defined Benefits	9.50%	42	46
Vision Super	Defined Benefits	9.50%	102	111
Vision Super	Accumulated Fund	9.50%	1,098	1,089
Other	Accumulated Fund	9.50%	259	192
Total contributions			1,501	1,438

There were no contributions outstanding and loans issued from or to the above schemes as at 30 June 2017.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2018 is \$107,000.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

3.3 REPAIRS AND MAINTENANCE

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.

	2017 \$'000	2016 \$'000
Consultancies and contractors	(7,556)	(6,947)
Other goods and services	(5,190)	(4,759)
Chemicals	(784)	(786)
Total repairs and maintenance	(13,530)	(12,492)

3.4 OTHER OPERATING EXPENSES

Other expenses		
Electricity	(3,192)	(3,668)
Efficiency rebate	(2,462)	(2,443)
Licences	(1,946)	(1,743)
Goods and Equipment	(881)	(997)
Total supplies and services	(8,481)	(8,851)

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

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.

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

The Corporation controls infrastructure and assets that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the Corporation to be utilised for delivery of those outputs.

Structure

4.1 Infrastructure, property, plant and equipment: Carrying amount

4.1.1 Depreciation and impairment

4.1.2 Carrying values by asset class

4.1.3 Reconciliation of movements in carrying values of Infrastructure, property, plant and equipment

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

4.1.5 Capital commitments

4.2 Intangible assets

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

4.1 TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT: CARRYING AMOUNT

	Gross Carrying Amount		Accumulated Depreciation		Net carrying Amount	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Land at fair value	30,331	30,309	(17)	(76)	30,314	30,233
Buildings at fair value	27,670	26,638	(960)	(2)	26,710	26,636
Water Infrastructure at fair value	374,566	379,101	(10,321)	(74)	364,245	379,027
Sewer Infrastructure at fair value	303,081	277,737	(8,190)	(47)	294,891	277,690
Plant & equipment (including motor vehicles at fair value)	17,954	21,730	(11,313)	(12,913)	6,641	8,817
Under construction - at cost	12,725	14,380	-	-	12,725	14,380
Net carrying amount	766,327	749,895	(30,801)	(13,112)	735,526	736,783

Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage, 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.

Items of infrastructure, property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Subsequent measurement

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 7.3.2 for fair value disclosures.

Revaluation of infrastructure, property, plant and equipment

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to the 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 (usually the Valuer General of Victoria) 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.

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 the 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 infrastructure, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

NOTES TO THE FINANCIAL STATEMENTS

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4.1.1 DEPRECIATION AND IMPAIRMENT

Charge for the period	2017 \$'000	2016 \$'000
Land	17	14
Buildings	959	520
Infrastructure - Water	13,430	12,947
Infrastructure - Sewer	5,074	4,891
Plant & equipment	1,749	2,431
Total depreciation	21,229	20,803

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.

Typical estimated useful lives for the different asset classes are included in the table below and are consistent with the prior year, unless otherwise stated.

Asset Class	Period	Prior Year	Asset Class	Period	Prior Year
Bores	3 - 80 years	40 years	Buildings	2 - 80 years	5 - 150 years
Electrical	1 - 78 years	15 - 25 years	Furniture and fittings	5 - 20 years	
Lagoons	2 - 100 years	2 - 300 years	Manholes	1 - 99 years	80 years
Mechanical	2 - 71 years	20 - 25 years	Meters	5 - 39 years	15 - 20 years
Pipes	1 - 97 years	2 - 150 years	Plant, equipment & motor vehicles	2 - 20 years	
Pumps	2 - 80 years	15 - 40 years	Reservoirs	1 - 300 years	2 - 300 years
Service basins	1 - 300 years	2 - 300 years	Tanks	1 - 100 years	40 - 80 years
Towers	1 - 100 years	50 - 80 years			

As a result of the 2016 revaluation, useful lives for the majority of our infrastructure and building asset classes were re-estimated and have had a \$3.38M effect on depreciation expense for the entire current reporting period. The effect of these changes in future years is impractical to estimate and therefore not disclosed.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Indefinite life assets

Land and earthworks which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

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Impairment

Non-financial assets, including items of Infrastructure, Property, Plant and Equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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.

4.1.2 CARRYING VALUES BY ASSET CLASS

	2017 \$'000	2016 \$'000
Land and land improvements		
Freehold - at fair value	29,759	29,600
Land improvements - at fair value	572	563
Crown - at fair value	-	146
Less accumulated depreciation	(17)	(76)
	30,314	30,233
Buildings		
At fair value	27,670	26,638
Less accumulated depreciation	(960)	(2)
	26,710	26,636
Water infrastructure		
At fair value	374,566	379,101
Less accumulated depreciation	(10,321)	(74)
	364,245	379,027
Sewer infrastructure		
At fair value	303,081	277,737
Less accumulated depreciation	(8,190)	(47)
	294,891	277,690
Plant & equipment (including motor vehicles)		
At fair value	17,954	21,730
Less accumulated depreciation	(11,313)	(12,913)
	6,641	8,817
Under construction - at cost	12,725	14,380
Total property plant and equipment	735,526	736,783

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

4.1.3 RECONCILIATION OF MOVEMENTS IN CARRYING VALUES OF INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

2016/17	Land \$'000	Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Opening WDV at 1 July 2016	30,233	26,636	379,027	277,690	8,817	14,380	736,783
Additions	-	-	-	-	-	21,565	21,565
Developer contributed assets	-	-	1,928	1,562	-	-	3,490
Disposals	-	-	(1,707)	(1,382)	(469)	(750)	(4,308)
Transfers between categories							
- Class reclassifications ¹	98	321	(12,097)	13,573	(1,894)	-	1
Transfers between categories							
- Additions ¹	-	712	10,523	8,523	1,936	(22,470)	(776)
Depreciation expense	(17)	(959)	(13,430)	(5,074)	(1,749)	-	(21,229)
Closing WDV at 30 June 2017	30,314	26,710	364,245	294,891	6,641	12,725	735,526

2015/16	Land \$'000	Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Opening WDV at 1 July 2015	28,423	26,499	276,154	200,461	9,031	7,621	548,189
Additions	47	136	2,651	1,991	2,594	9,248	16,667
Developer contributed assets	-	-	1,369	1,028	-	-	2,397
Revaluations	1,777	384	108,617	81,541	-	-	192,319
Disposals	-	(11)	(658)	(494)	(581)	(209)	(1,953)
Transfers between categories ¹	-	148	1,082	813	204	(2,280)	(33)
Depreciation expense	(14)	(520)	(10,189)	(7,649)	(2,431)	-	(20,803)
Closing WDV at 30 June 2016	30,233	26,636	379,027	277,690	8,817	14,380	736,783

¹ Amount transferred to intangibles. Refer to Note 4.2

NOTES TO THE FINANCIAL STATEMENTS

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4.1.4 NET GAIN/ (LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses

	2017 \$'000	2016 \$'000
Cost of assets disposed		
Infrastructure	(3,088)	(1,151)
Motor vehicles	(451)	(424)
Office equipment	(18)	(157)
Intangibles	-	(28)
Buildings	-	(11)
Total written down value of assets disposed	(3,557)	(1,771)
Proceeds of assets disposed		
Motor vehicle trade ins	507	474
Other asset sales	-	9
Total proceeds of asset disposed	507	483
Net gain/ (loss) on disposal of non current assets	(3,050)	(1,288)

4.1.5 CAPITAL COMMITMENTS

Capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

At 30 June 2017, 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	4,093	4,514
One to five years	-	-
Total capital commitments (inclusive of GST)	4,093	4,514
Less GST recoverable	372	410
Total capital commitments (exclusive of GST)	3,721	4,104

NOTES TO THE FINANCIAL STATEMENTS

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4.2 INTANGIBLE ASSETS

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses

	2017 \$'000	2016 \$'000
(a) Classes of intangibles		
Computer software at cost	7,532	6,773
Less: Accumulated amortisation	(6,015)	(5,301)
	1,517	1,472
Bulk water entitlement - at cost	4,750	4,750
Total intangibles	6,267	6,222
	Software \$'000	Bulk Water Entitlement \$'000
(b) Movements during the reporting period		Total \$'000
2016/17		
Opening WDV at 1 July 2016	1,472	6,222
Transfers between categories - Class re-classifications ¹	(1)	(1)
Transfers between categories - Additions ¹	776	776
Amortisation expense	(730)	(730)
Closing WDV at 30 June 2017	1,517	6,267
2015/16		
Opening WDV at 1 July 2015	1,878	6,628
Additions	491	491
Disposals	(28)	(28)
Transfers between categories ¹	33	33
Amortisation expense - computer software	(902)	(902)
Closing WDV as at 30 June 2016	1,472	6,222

¹ Amount transferred from Work in Progress. Refer to Note 4.1.3

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

Recognition

Intangible assets represent identifiable non-monetary assets without physical substance.

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Permanent water entitlements

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 109A 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.

	2017 \$'000	2016 \$'000
Charge for the period		
Intangible assets - computer software	730	902
Total amortisation	730	902

NOTES TO THE FINANCIAL STATEMENTS

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5. OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from the Corporation's controlled operations.

Structure

5.1 Receivables

5.1.1 Movement in the provision for impaired receivables

5.1.2 Ageing analysis of contractual receivables

5.2 Payables

5.2.1 Ageing analysis of contractual payables

5.3 Inventories

5.4 Other non-financial assets

5.1 RECEIVABLES

	2017 \$'000	2016 \$'000
Current		
<i>Contractual</i>		
Accrued tariffs and charges	9,779	9,566
Tariffs and charges	2,368	2,989
Other receivables	2,720	2,154
Schemes/ Receivables	62	49
Less: Provision for impaired receivables	(83)	(75)
	14,846	14,683
<i>Statutory</i>		
GST receivable	609	288
Total current receivables	15,455	14,971
Non-current		
<i>Contractual</i>		
Other receivables	9,489	9,333
Schemes / Receivables	514	570
Total non-current receivables	10,003	9,903
Total receivables	25,458	24,874

Receivables consist of:

Accrued tariffs and charges with meter reading undertaken progressively during the year. An estimation, calculated by multiplying the number of days since the last reading by each 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.

Contractual receivables, classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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5.1.1 MOVEMENT IN THE PROVISION FOR IMPAIRED RECEIVABLES

As at 30 June 2017, current receivables of the Corporation with a nominal value of \$315,935 (2016: \$324,034) were impaired. The amount of the provision is \$82,570 (2016: \$75,313). 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:	2017 \$'000	2016 \$'000
1 to 3 months	6	7
3 to 6 months	12	13
Over 6 months	65	55
	83	75

Movements in the provision for impaired receivables are as follows:

As at 1 July	75	72
Provision for impairment recognised during the year	45	34
Receivables written off during the year as uncollectible	(37)	(31)
	83	75

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for impaired receivables is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

5.1.2 AGEING ANALYSIS OF CONTRACTUAL RECEIVABLES

As of 30 June 2017, trade receivables of \$1,797,437 (2016: \$1,909,155) were past due but not impaired. The ageing of these receivables is as follows:

	Carrying Amount	Not past due and not impaired	Past Due but not impaired			
			Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years
2017						
Sale of goods and services ¹	2,989	1,315	-	779	456	439
Other receivables	1,042	918	-	122	2	-
Total	4,031	2,233	-	901	458	439
2016						
Sale of goods and services ¹	3,425	1,609	-	872	527	417
Other receivables	843	750	-	75	18	-
Total	4,268	2,359	-	947	545	417

Note 1 - The amount disclosed excludes accrued revenue and statutory amounts.

NOTES TO THE FINANCIAL STATEMENTS

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No interest is charged for the first 14 days from the due date of the invoice. Thereafter, interest is charged at 6.1% on the outstanding balance. The average credit period for sales of goods/services is 28 days and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

Past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. 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.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

5.2 PAYABLES

	2017 \$'000	2016 \$'000
Current		
<i>Contractual</i>		
Trade creditors	4,472	5,400
Accrued loan interest	6	8
Contract deposits	426	462
	4,904	5,870
<i>Statutory</i>		
Employment costs	643	266
Total current payables	5,547	6,136

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.

5.2.1 AGEING ANALYSIS OF CONTRACTUAL PAYABLES

As of 30 June 2017, contractual payables of \$4,903,690 (2016: \$5,870,043) existed. The ageing of these payables is as follows:

	Carrying Amount	Nominal Amount	Maturity Dates			
			Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years
2017						
Supplies and Services	3,189	3,189	3,189	-	-	-
Other payables	1,715	1,715	83	349	518	765
Total	4,904	4,904	3,272	349	518	765
2016						
Supplies and Services	3,983	3,983	3,983	-	-	-
Other payables	1,887	1,887	90	390	587	820
Total	5,870	5,870	4,073	390	587	820

NOTES TO THE FINANCIAL STATEMENTS

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5.3 INVENTORIES

	2017 \$'000	2016 \$'000
Current		
Stores and consumables - at cost	607	641
Total inventories	607	641

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.

Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

5.4 OTHER NON-FINANCIAL ASSETS

Current		
Prepaid expenses	1,042	969
Total prepayments	1,042	969

Other non-financial assets include prepayments which 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.

6. HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by the Corporation during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Corporation.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional, specific financial instrument disclosures.

Structure

- 6.1 Interest bearing liabilities
 - 6.1.1 Maturity analysis of interest bearing liabilities
 - 6.1.2 Interest expense
- 6.2 Cash flow information
 - 6.2.1 Reconciliation of net result to cash flow from operating activities
- 6.3 Commitments for expenditure

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

6.1 INTEREST BEARING LIABILITIES

	2017 \$'000	2016 \$'000
Current		
TCV loans	10,712	10,052
Total current interest bearing liabilities	10,712	10,052
Non-current		
TCV loans	34,221	44,276
Total non-current interest bearing liabilities	34,221	44,276
Total interest bearing liabilities	44,933	54,328

Interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing liabilities 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 interest bearing liabilities, using the effective interest method.

Interest bearing liabilities 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 interest bearing liabilities 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*. Interest bearing liabilities known as 11am debt are also classified as current interest bearing liabilities.

6.1.1 MATURITY ANALYSIS OF INTEREST BEARING LIABILITIES

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:

less than 1 month	-	-
1 - 3 months	-	-
3 - 12 months	10,657	10,000
1 - 5 years	34,276	29,328
Over 5 years	-	15,000
	44,933	54,328
Current borrowings	10,71	10,052
Non-current borrowings	34,221	44,276
	44,933	54,328

NOTES TO THE FINANCIAL STATEMENTS

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6.1.2 INTEREST EXPENSE

Borrowing costs	2017 \$'000	2016 \$'000
Interest on loans - TCV	2,686	3,754
Financial Accommodation Levy - DTF	526	646
Total borrowing costs	3,212	4,400

Interest expense includes costs incurred in connection with the borrowing of funds. Interest costs include interest on bank overdrafts, short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, financial accommodation levy. Interest expense is recognised in the period in which it is incurred.

6.2 CASH FLOW INFORMATION

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

Deposits at call	-	6,309
Cash at bank	816	564
Cash on hand	2	2
Balance as per cash flow statement	818	6,875

6.2.1 RECONCILIATION OF NET RESULT FOR THE PERIOD TO CASH FLOW FROM OPERATING ACTIVITIES

Net result for the period after income tax	2,147	5,502
Add / (less) non-cash flows in net result		
Depreciation and amortisation	21,959	21,705
Net loss on disposal of non-current assets	3,050	1,288
Infrastructure assets acquired at no cost	(3,490)	(2,397)
Changes in assets and liabilities		
Decrease (increase) in receivables	(584)	4,332
Decrease (increase) in inventories	34	(17)
Decrease (increase) in prepayments	(73)	(144)
Increase (decrease) in payables	(291)	1,722
Increase (decrease) in employee benefits	220	166
Increase (decrease) in net deferred tax liabilities	971	2,644
Net cash (outflow) / inflow from operating activities	23,943	34,801

NOTES TO THE FINANCIAL STATEMENTS

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6.3 COMMITMENTS FOR EXPENDITURE

Commitments for future expenditure include operating and capital commitments arising from contracts. Please refer to Note 4.1.5 and Note 8.2.1 for details on capital and environmental commitments, respectively. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

Operating commitments

At 30 June 2017, 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:

	2017 \$'000	2016 \$'000
Within one year	1,895	987
One to five years	3,604	427
Total operating commitments (inclusive of GST)	5,499	1,414
Less GST recoverable	500	128
Total operating commitments (exclusive of GST)	4,999	1,286

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The Corporation is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Corporation related mainly to fair value determination of non-current physical assets.

Structure

7.1 Financial instruments specific disclosures

7.1.1 Financial risk management objectives and policies

7.2 Contingent assets and contingent liabilities

7.3 Fair value determination

7.3.1 Fair value determination of financial assets and liabilities

7.3.2 Fair value determination of non-financial physical assets

NOTES TO THE FINANCIAL STATEMENTS

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7.1 FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES

Financial instruments arise out of contractual agreements that give rise to a financial asset on one entity and a financial liability or equity instrument of another entity.

Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The Corporation recognises the following assets in this category:

- cash & deposits; and
- receivables (excluding statutory receivables);

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. The Corporation recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings.

Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. (AASB 139.58 70 AASB 7B5(f)) in assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 impairment of Assets. Impairment losses are recognised in the Comprehensive Operating Statement.

7.1.1 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

iii. Other price risk

The Corporation has no significant exposure to other price risk.

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 5.1.

NOTES TO THE FINANCIAL STATEMENTS

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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.

Interest rate exposure of financial instruments

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Corporation does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the Corporation's sensitivity to interest rate risk are set out in the table that follows.

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Carrying amount \$'000
2017				
Financial assets:				
- Cash and Cash Equivalents	816	-	2	818
- Receivables ¹	-	10,551	14,298	24,849
Total	816	10,551	14,300	25,667
Weighted Average Effective Interest Rate	1.5%	7.9%	-	
Financial liabilities:				
- Payables ¹	-	-	4,898	4,898
- Interest bearing liabilities	657	44,276	-	44,933
Total	657	44,276	4,898	49,831
Weighted Average Effective Interest Rate	1.7%	5.1%	-	

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	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Carrying amount \$'000
2016				
Financial assets:				
- Cash and Cash Equivalents	6,874	-	1	6,875
- Receivables ¹	-	10,510	14,076	24,586
Total	6,874	10,510	14,077	31,461
Weighted Average Effective Interest Rate	1.70%	8.2%	-	
Financial liabilities:				
- Payables ¹	-	-	5,863	5,863
- Interest bearing liabilities	-	54,328	-	54,328
Total	-	54,328	5,863	60,191
Weighted Average Effective Interest Rate	-	5.2%	-	

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

Interest rate risk sensitivity

A change of 1% in interest rates constantly applied during the reporting period would increase (decrease) equity and net result 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 2017	Carrying amount \$'000	Result \$'000	Interest Rate Risk		Equity \$'000
			-1%	+1%	
Financial assets					
Cash and cash equivalents	818	(58)	(58)	58	58
Receivables ¹	15,071	-	-	-	-
Financial liabilities					
Payables ¹	4,898	-	-	-	-
Interest bearing liabilities	44,933	1	1	(1)	(1)
Total increase / (decrease)		(57)	(57)	57	57

NOTES TO THE FINANCIAL STATEMENTS

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30 June 2016	Carrying amount \$'000	Result \$'000	Interest Rate Risk		
			-1%	+1%	
			Equity \$'000	Result \$'000	Equity \$'000
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

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

7.2 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

7.3 FAIR VALUE DETERMINATION

Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Corporation.

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.

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

Fair value hierarchy

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

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7.3.1 FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND LIABILITIES

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

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.

Fair value measurement hierarchy for financial assets and liabilities

	Carrying amount 30 June 2017 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets				
Cash and cash equivalents	818	818	-	-
Receivables	24,849	24,849	-	-
Total financial assets	25,667	25,667	-	-
Financial Liabilities				
Interest bearing liabilities	44,933	-	48,071	-
Payables and accruals	4,904	4,904	-	-
Total financial liabilities	49,837	4,904	48,071	-

Classified in accordance with the fair value hierarchy. See Note 7.3.1

	Carrying amount 30 June 2016 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets				
Cash and cash equivalents	6,875	564	6,319	-
Receivables	24,586	24,586	-	-
Total financial assets	31,461	25,150	6,319	-
Financial Liabilities				
Interest bearing liabilities	54,328	-	59,493	-
Payables and accruals	5,870	5,870	-	-
Total financial liabilities	60,198	5,870	59,493	-

Classified in accordance with the fair value hierarchy. See Note 7.3.1

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

7.3.2 FAIR VALUE DETERMINATION OF NON-FINANCIAL PHYSICAL ASSETS

	Carrying amount 30 June 2017 \$'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	30,314	-	-	30,314
Total of land and land improvements at fair value	30,314	-	-	30,314
Buildings at fair value				
Specialised buildings	26,710	-	-	26,710
Total of buildings at fair value	26,710	-	-	26,710
Water infrastructure at fair value				
Water reticulation & distribution	253,693	-	-	253,693
Water treatment plants	58,509	-	-	58,509
Water reservoirs & service basins	52,043	-	-	52,043
Total of water infrastructure at fair value	364,245	-	-	364,245
Sewer infrastructure at fair value				
Sewer reticulation	237,010	-	-	237,010
Sewer treatment plants	57,881	-	-	57,881
Total of sewer infrastructure at fair value	294,891	-	-	294,891
Plant, equipment and vehicles at fair value				
Vehicles	3,325	-	3,325	-
Plant and equipment	3,316	-	-	3,316
Total of plant, equipment and vehicles at fair value	6,641	-	3,325	3,316

Classified in accordance with the fair value hierarchy. See Note 7.3.1

NOTES TO THE FINANCIAL STATEMENTS

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	Carrying amount 30 June 2016 \$'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	-	3,086	5,731

Classified in accordance with the fair value hierarchy. See Note 73.1

There have been no transfers between levels during the period.

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

The Corporation, in conjunction with VGV, monitors changes in the fair value of property, plant and equipment and infrastructure through relevant data sources to determine whether revaluation is required.

Specialised land and specialised buildings

The market approach is used for 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 are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

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

NOTES TO THE FINANCIAL STATEMENTS

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An independent valuation of the Corporation's specialised land and specialised buildings was performed by Egan Valuers Pty. Ltd. On behalf of the Valuer General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation was 30 June 2016 [AASB 116.77(a), (b), AASB 116 Aus77.1].

The Corporation conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

Vehicles

Vehicles are valued at level 2, using the depreciated replacement cost method. Wannon Water 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 active market, is managed by experienced fleet managers at Wannon Water who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

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 plant and equipment are specialised in nature and modified to meet our requirements, fair value is measured at level three. There were no changes in valuation techniques throughout the period to 30 June 2017. For all assets measured at fair value, the current use is considered the highest and best use.

There were no changes in valuation techniques throughout the period to 30 June 2017

Water and sewer infrastructure

Water and sewer infrastructure assets are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/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. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

Where it has not been possible to examine hidden works such as 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 building. The estimated cost of reconstruction includes structure services and finishes as applicable.

An independent valuation of the Corporation's water and sewer infrastructure was carried out by Jardine Lloyd Thompson Pty. Ltd. on behalf of the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

The Corporation conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

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

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Reconciliation of level 3 fair value movements

A reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy, disclosing separately changes during the period.

2017	Specialised Land and improvements \$000	Specialised Buildings \$000	Water Infrastructure \$000	Sewer Infrastructure \$000	Plant and Equipment \$000	Vehicles \$000
Opening balance	30,233	26,636	379,027	277,690	5,731	3,086
Additions/ purchases	-	712	12,451	10,085	653	1,283
Transfers in (out) of level 3	-	-	-	-	-	-
Transfers - Reclassification	98	321	(12,097)	13,573	(1,894)	-
Disposals	-	-	(1,707)	(1,382)	-	(469)
Depreciation	(17)	(959)	(13,430)	(5,074)	(1,174)	(575)
Impairment loss	-	-	-	-	-	-
Subtotal	81	74	(14,782)	17,201	(2,415)	239
Closing balance	30,314	26,710	364,245	294,891	3,316	3,325

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	284	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	(247)	(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	26,636	379,027	277,690	5,731	3,086

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Description of significant unobservable inputs to Level 3 valuations

2017 and 2016	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 facility 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

8. STATUTORY OBLIGATIONS

Introduction

This section included disclosures in relation to the Corporation's statutory obligations.

Structure

8.1 Tax

8.1.1 Income tax

8.1.2 Deferred tax assets and liabilities

8.2 Environmental contribution

8.2.1 Environmental commitments

8.1 TAX

8.1.1 INCOME TAX

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.

NOTES TO THE FINANCIAL STATEMENTS

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The income tax expense for the financial year differs from the amount calculated on the net result.

The differences are reconciled as follows:

	2017 \$'000	2016 \$'000
Net result before income tax expense	3,118	8,145
Income tax calculated @ 30% (2016: 30%)	936	2,443
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Prior year adjustment (Losses)	7	179
Depreciating Assets	22	12
Non-deductible expenses	6	9
Income tax as reported in the comprehensive operating statement	971	2,643

8.1.2 DEFERRED TAX ASSETS AND LIABILITIES

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.

Deferred tax assets

The balance comprises temporary differences attributable to:

Amounts recognised in the comprehensive operating statement

Prior and current tax losses	33,084	35,735
Provisions and accrued expenditure not deductible	1,589	1,416
	34,673	37,151
Movement		
Opening balance 1 July	37,151	41,405
Annual movement	(2,478)	(4,254)
Closing balance 30 June	34,673	37,151

NOTES TO THE FINANCIAL STATEMENTS

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Deferred tax liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in the comprehensive operating statement	2017 \$'000	2016 \$'000
Depreciation and revaluation	(134,540)	(136,047)
Other	-	-
	(134,540)	(136,047)
Movement		
Opening balance 1 July	(136,047)	(79,962)
Annual movement	1,507	(56,085)
Closing balance 30 June	(134,540)	(136,047)
Net deferred tax liabilities		
Deferred tax assets	34,673	37,151
Deferred tax liabilities	(134,540)	(136,047)
Net deferred tax liabilities	(99,867)	(98,896)

8.2 ENVIRONMENTAL CONTRIBUTION

Environmental contribution levy	2,557	2,557
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Environmental contributions are funds collected from water supply authorities under the *Water Industry Act 1994* (the Act). Under a 2004 amendment to the Act, environmental contributions are collected to fund initiatives that seek to promote the sustainable management of water or address adverse water-related environmental impacts.

The Victorian Government has committed to a fourth round or ('tranche') of the environmental contribution. The four-year tranche commenced on 1 July 2016. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 July 2016 to 30 June 2020 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

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8.2.1 ENVIRONMENTAL CONTRIBUTION COMMITMENTS

At 30 June 2017, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

	2017 \$'000	2016 \$'000
Within one year	2,557	2,557
One to five years	6,612	9,313
Total environmental contribution commitments (GST n/a)	9,169	11,870

9. OTHER DISCLOSURES

Introduction

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

Structure

- 9.1 Equity
 - 9.1.1 Contributed capital
 - 9.1.2 Asset revaluation surplus
 - 9.1.3 Accumulated surplus/ (deficit)
- 9.2 Events occurring after the balance date
- 9.3 Remuneration of executives
- 9.4 Responsible persons
- 9.5 Remuneration of auditors
- 9.6 Related parties
- 9.7 Ex-gratia expense
- 9.8 Australian Accounting Standards issued that are not yet effective

9.1 EQUITY

9.1.1 CONTRIBUTED CAPITAL

At 30 June 2017, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

Opening balance at 1 July	441,165	441,165
Capital contributions	-	-
Closing balance at 30 June	441,165	441,165

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Corporation.

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

NOTES TO THE FINANCIAL STATEMENTS

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9.1.2 RESERVES

	2017 \$'000	2016 \$'000
Land	1,244	1,244
Buildings	2,271	2,271
Infrastructure	146,746	147,515
Total reserves	150,260	151,030

Movements in reserves during the reporting period

	Land \$'000	Buildings \$'000	Infrastructure \$'000	Total \$'000
Opening balance at 1 July	1,244	2,271	147,515	151,030
Revaluation increment / (decrement) on non-current assets	-	-	(770)	(770)
Closing balance at 30 June	1,244	2,271	146,745	150,260

9.1.3 ACCUMULATED SURPLUS/ (DEFICIT)

	2017 \$'000	2016 \$'000
Opening balance at 1 July	20,584	15,265
Net profit/ (loss) for the period	2,147	5,502
Transfer from / (to) asset revaluation reserve	770	(183)
Closing balance at 30 June	23,501	20,584

9.2 EVENTS OCCURRING AFTER BALANCE DATE

No 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

9.3 REMUNERATION OF EXECUTIVES

The number of executive officers, other than the Minister and Accountable officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

<i>Remuneration (a)</i>	2017 \$'000
Short-term employee benefits	936
Post-employment benefits	89
Other long-term benefits	22
Termination benefits	-
Total remuneration (b)	1,047
	2017 No.
Total number of executives (c)	6
Total annualised employee equivalents (d)	5.58

Notes:

- No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.
- Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB119 Employee Benefits.
- The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.6).
- Annualised employee equivalent is based on the time fraction worked over the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full time working days per week (this is generally five full working days per week).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

9.4 RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period. The remuneration detailed below excludes the salary and benefit the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' financial report

The persons who held the positions of responsible persons in the Corporation are as follows:

Title	Name	Period of Appointment
Minister for Water	The Hon. Lisa Neville MP	1 July 2016 - 30 June 2017
Chair	Ms Jacinta Ermacora	1 July 2016 - 30 June 2017
Deputy Chair	Mr Mick Murphy, OAM	1 July 2016 - 30 June 2017
Director	Ms Georgina Gubbins	1 July 2016 - 30 June 2017
Director	Mr Russell Worland	1 July 2016 - 30 June 2017
Director	Ms Sharon Lewis	1 July 2016 - 30 June 2017
Director	Mr Michael Crutchfield	1 July 2016 - 30 June 2017
Director	Mr Rob Wallis	1 July 2016 - 30 June 2017
Managing Director / Accountable Officer	Mr Andrew Jeffers	1 July 2016 - 30 June 2017

Remuneration

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

Income band	2017 No.
\$20,000 - \$29,999	6
\$40,000 - \$49,999	1
\$260,000 - \$270,000	1

Total remuneration received or receivable by responsible persons in connection with the management of the Corporation during the reporting period was in the range: \$450,000 - \$460,000 (\$640,000 - \$650,000 in 2015-16)

9.5 REMUNERATION OF AUDITORS

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

Income band	2017 \$'000	2016 \$'000
Victorian Auditor-General's Office		
Audit or review of financial statements	52	51
Other non-audit services		
Other non-audit services (i)	171	176
Total remuneration of Auditors	223	227

(1) The Victorian Auditor General's Office is not allowed to provide non-audit services

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

9.6 RELATED PARTIES

Related parties of Wannon Water include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related transactions and loans have been considered and are deemed to have been entered into on an arm's length basis.

Significant transactions with government-related entities

During the year, Wannon Water had the following government-related entity transactions:

	2017 \$'000
Department Environment, Land, Water and Planning (DELWP)	
Paid/ payable	
Environmental Contribution Levy	2,557
Received/ receivable	
Groundwater Investigation Grant	100
Konongwootong Grant Funding	53
Department Treasury and Finance (DTF)	
Paid/ payable	
Financial Accomodation Levy	526
Department Health and Human Services (DHHS)	
Received/ receivable	
Customer Rebates and administration fees	3,208
Treasury Corporation of Victoria (TCV)	
Paid/ payable	
Net Borrowing during the year	3,086
Borrowing Costs	2,686
Received/ receivable	
Interest Received/ receivable	94
State Revenue Office (SRO)	
Paid/ payable	
Payroll Tax	938
Received/ receivable	
Not for Profit rebate	255
Environment Protection Authority (EPA)	
Paid/ payable	
Licences	148
GWM Water	
Paid/ payable	
Water Service and Supply charges	325
Parks Victoria	
Received/ receivable	
12 Apostles Project Funding	373

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

Key management personnel

Key management personnel of Wannon Water includes:

Title	Name	Period of Appointment
Minister for Water	The Hon. Lisa Neville MP	1 July 2016 - 30 June 2017
Chair	Ms Jacinta Ermacora	1 July 2016 - 30 June 2017
Deputy Chair	Mr Mick Murphy, OAM	1 July 2016 - 30 June 2017
Director	Ms Georgina Gubbins	1 July 2016 - 30 June 2017
Director	Mr Russell Worland	1 July 2016 - 30 June 2017
Director	Ms Sharon Lewis	1 July 2016 - 30 June 2017
Director	Mr Michael Crutchfield	1 July 2016 - 30 June 2017
Director	Mr Rob Wallis	1 July 2016 - 30 June 2017
Managing Director / Accountable Officer	Mr Andrew Jeffers	1 July 2016 - 30 June 2017
Executive Officer	Mr Steven Waterhouse	1 July 2016 - 30 June 2017
Executive Officer	Mr Ian Bail	1 July 2016 - 30 June 2017
Executive Officer	Ms Kellie King	1 July 2016 - 30 June 2017
Executive Officer	Mr Simon Hermans	1 July 2016 - 30 June 2017
Executive Officer	Ms Joanne McBain	1 July 2016 - 30 June 2017
Executive Officer	Mr Jeremy Dixon	13 February 2017 - 30 June 2017
Executive Officer	Ms Colleen Rose	1 July 2016 - 16 April 2017

Compensation of KMPs

2017
\$'000

Short-term employee benefits
Post-employment benefits
Other long-term benefits
Termination benefits
Total

1,344
124
28
-
1,496

Notes:

(a) Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 9.3)

Transactions with key management personnel and other related parties

Given the breadth and depth of Corporation activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public. Outside of normal citizen type transactions with the corporation, there were no related party transactions that involved key management personnel related parties.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

9.7 EX GRATIA EXPENSE ⁱ

2017
\$'000

2016
\$'000

Forgiveness or waiver of debt (ii)
Total ex gratia expenses (iii)

33
33

-
-

Notes

(i) Includes ex gratia expenses for both individual items and in aggregate that are greater than or equal to \$5,000.

(ii) Forgiveness or waiver of debt relate to high water allowance debt write off due to water leaks.

(iii) The total for ex gratia expenses is also presented in 'other operating expenses' of Note 5 Expenses from transactions.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

9.8 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

Topic	Key requirements	Effective Date	Effective date for the entity	Estimated impact
<i>AASB 9 Financial Instruments</i>	The key changes include the simplified 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, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	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 as there will be changes to the way financial instruments are disclosed.
<i>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	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: <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	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.
<i>AASB 15 Revenue from Contracts with Customers</i>	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	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. Wannon Water is yet to assess its full impact. However the amendment is expected to have a limited impact."
<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	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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

Topic	Key requirements	Effective Date	Effective date for the entity	Estimated impact
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	1 January 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	<p>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:</p> <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 good or service prior to transferring to the customer; and • 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). 	1 January 2018	1 January 2018	The assessment has indicated that there will be no significant impact for Wannon Water.
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	1 January 2019	The assessment has indicated that there will be no impact on Wannon Water as there are no leases in place.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

9.8 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (CONT)

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	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	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.
AASB 1058 Income of Not-for-Profit Entities	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 January 2019	1 January 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

The following accounting pronouncements are also issued but not effective for the 2016-17 reporting period. At this stage, the preliminary assessment suggests they are expected to have insignificant impacts on public sector reporting.

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

AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions

AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

AASB 2017-1 Amendments to Australian Accounting Standards - Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-16 Cycle

Notes:

For the current year, given the number of consequential amendments to AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming change

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 5.2 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 2017 and financial position of the Corporation at 30 June 2017.

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.

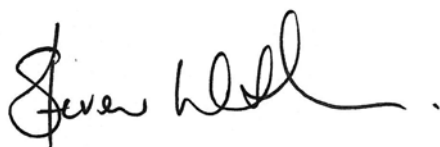
We authorise the attached financial statements for issue on 31 August 2017.



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 31st day of August 2017

AUDITOR-GENERAL'S REPORT



Independent Auditor's Report

To the Board of the Wannon Region Water Corporation

Opinion	<p>I have audited the financial report of the Wannon Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2017• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements• accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

AUDITOR-GENERAL'S REPORT

**Auditor's
responsibilities
for the audit
of the financial
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

MELBOURNE
1 September 2017



Roberta Skliros
as delegate for the Auditor-General of Victoria

APPENDIX 1

DISCLOSURE INDEX

The 2016/17 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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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 sewage treatment 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
Clear water storage	An enclosed in-ground or on-ground storage downstream of a water treatment plant such as a service basin, a tank or a water tower.	Sludge	Organic solids that are still in the process of being stabilised.
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	Stormwater	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/sewage treatment plant	A treatment facility for treating sewage or trade waste suitable for safe reuse or discharge to the environment – more commonly known as a sewage treatment plant.
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	The entire water system from headworks, bores, storages, to treatment plant, transfer mains, reticulation mains up to the water meter
Megalitre (ML)	One million (1,000,000) litres	Urban Water Strategy	A 50-year plan to provide sustainable water supplies for the community into the future
OH&S	Occupational Health and Safety – the protection of the health, safety and wellbeing of employees, contractors and visitors	Water treatment plant	A treatment facility that removes undesirable characteristics from the water, making it "fit for purpose" (such as safe drinking water)
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		
Potable water	Water for human consumption		
Raw water	Water harvested from the surface or below ground prior to any treatment process		

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